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FINANCIAL TIMES

85765 / 132

Europe's Business Newspaper — WEDNESDAY JUNE 2 1993 — D8523A

Mannesmann will cut 7,700 jobs to stem losses

Mannesmann, the diversified German engineering group, lost money in *every operating* division in the first four months of 1993, and warned of an overall operating loss for the first half. The group's steel tubes *division* and its manufacture of vehicle components were hit hardest. At least 7,700 jobs are to be cut. Chairman Werner Dieter *blamed worldwide* price pressure, currency fluctuations in Europe, and one-off charges for redundancies. Page 19

González pulls level in election campaign

Spanish prime minister Felipe González (left) who has been running second in the opinion polls to conservative People's party leader José María Aznar, had by yesterday pulled level with just four campaigning days left before the country's snap general election. Page 18

Sweden's portfolio: *The Swedish state* will become one of Europe's biggest commercial property operators if it takes over crisis-hit banks' *property loan portfolios worth up to SKr70bn* ($9.7bn). Page 3

Anglo American, South Africa's largest company, reported an 8 per cent fall in annual attributable earnings to R1.53bn ($480m). The result was better than expected, given weak commodity prices and domestic recession. Page 23

Yen at record high: Japan renewed its *criticisms of US policy on trade and exchange* rates as the yen rose in Tokyo to a record high of Y107 to the dollar. Page 7

BBC and Reuters in news deal: BBC World Service Television and international news and information group Reuters plan to launch a satellite television news service for Spain, Latin America and the Hispanic population of the US. Page 8

US growth picks up: The US purchasing managers' index rose above 50 per cent last month, indicating that the manufacturing sector is expanding weakly. Page 5

UK training attacked: The UK's record on *training was "one of the worst in the developed* world," Confederation of British Industry director-general Howard Davies said. Page 9

BCCI dividend hint: Creditors of the collapsed Bank of Credit and Commerce International were offered the prospect of a dividend some time next year. Page 9

Gallery reopening: Florence's 400-year-old *Uffizi art gallery, damaged by a bomb* last week, should reopen on June 18, Italian culture minister Alberto Ronchey said.

Mother Teresa in Ireland: Mother Teresa of Calcutta, 83, began a five-day tour of Ireland and invited Irish president Mary Robinson to visit her in India.

Simplified bargaining: About 200,000 UK workers are covered by *bargaining agreements* where manual and white-collar employees negotiate jointly with management, according to a study. Page 8

Liffe suspension: The London International Financial Futures and Options Exchange is to suspend its US Treasury long-dated bond futures and options because of low turnover. Page 19

Kobe Steel, Japanese *steelmaker, cut profit* forecasts for the next three years and announced staff cuts of 3,300 because of unexpectedly tough trading conditions. *Page 19*

ICI demerger complete: The demerger of Imperial Chemical Industries was completed with the start of official trading in the shares of ICI and of the new bioscience business Zeneca. Page 19

The European Commission denied a report in yesterday's Financial Times that it supported in a new document *sterling's exit from the European* Monetary System's exchange rate mechanism last September. "The conclusions drawn by the Financial Times on a *technical document drawn* up by the Commission... are not correct and do not correspond to the conclusions in the document", a Commission *spokesman said*. EC officials confirmed privately, however, that the document refrains from criticising Britain's withdrawal from *the ERM, as several member states* had sought.

■ **STOCK MARKET INDICES**

FT-SE 100:	2849.2	(+8.5)
Yield	4.04	
FT-SE Eurotrack 100	1153.22	(-8.36)
FT-A All-Share	1408.15	(+0.2%)
Nikkei	20,891.41	(+39.06)
New York lunchtime		
Dow Jones Ind Ave	3540.99	(+13.58)
S&P Composite	452.47	(+2.28)

■ **US LUNCHTIME RATES**

Federal Funds:	3⅛%
3-mo Treas Bills: Yld	3.571%
Long Bond	102½
Yield	6.922%

■ **LONDON MONEY**

3-mo Interbank	5⅞%	(5¹⁵⁄₁₆%)
Liffe long gilt future:	Jun 104¾	(Jun 103½)

■ **NORTH SEA OIL (Argus)**

Brent 15-day July	$18.715	(18.685)

■ **Gold**

New York Comex Aug	$371.8	(380.3)
London	$375.25	(379.75)

■ **STERLING**

New York lunchtime:		
$	1.5485	
London:		
$	1.551	(1.561)
DM	2.47	(2.4775)
FFr	8.3375	(8.3675)
SFr	2.21	(2.2125)
Y	166.25	(167.25)
£ Index	80.2	(80.4)

■ **DOLLAR**

New York lunchtime:		
DM	1.59225	
FFr	5.378	
SFr	1.4255	
Y	107.295	
London:		
DM	1.592	(1.587)
FFr	5.375	(5.36)
SFr	1.4245	(1.418)
Y	107.2	(same)
$ Index	63.3	(63.1)

Tokyo close Y 107

Austria	Sch30	Germany	DM3.30	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Greece	Dr300	Malta	Lm0.80	S.Arabia	SR11
Belgium	BFr60	Hungary	Ft172	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lw25.00	Iceland	IKr180	Neth	Fl 3.75	Slovak Rp	KSL45
Croatia	HRD5700	India	Rs40	Nigeria	Naira45	Slovenia	SLT220
Cyprus	C£1.00	Israel	Shk5.80	Norway	NKr16.00	Spain	Pta200
Czech Rp	Kc45	Italy	L2700	Oman	OR1.50	Sweden	SKr15
Denmark	DKr15	Jordan	JD1.50	Pakistan	Rs35	Switz	SFr3.20
Egypt	E£4.50	Korea	Won 2500	Philippines	Pso45	Syria	S£50.00
Finland	FM12	Kuwait	Fils600	Poland	Zl 22,000	Tunisia	Din1.250
France	FFr9.00	Lebanon	US$1.25	Portugal	Es215	Turkey	L7000
						UAE	Dh11.00

Britain to challenge EC's 48-hour-week limit

By David Gardner in Luxembourg and Robert Taylor in London

THE UK for the first time faces having to legislate to guarantee British workers mandatory time off, after its 11 EC partners yesterday approved the Community's working time directive, the so-called 48-hour-week law.

But Britain said it would challenge the directive at the European Court of Justice and would not start putting it on the UK statute book until that ruling came through.

After blocking the measure for nearly three years, Britain abstained yesterday, in the face of its partners' determination to force through what they regard as a much-needed gesture towards reinforcing workers' rights.

Ireland and Denmark are the only other countries affected by the 48-hour-week limit. Germany, Italy, Ireland, Luxembourg and Portugal will have to extend guaranteed paid leave; and all these countries, along with Greece and the Netherlands, will have to modify other laws on time off.

The UK is challenging the legal basis of the directive, proposed by the European Commission as a health and safety measure and thus requiring a majority vote rather than unanimity. This deprived the UK of its national veto.

But over the past 15 months Britain has negotiated assiduously to dilute the impact of the measure, while making light of its possible impact, which would be mostly in the UK. Both British and Brussels officials privately concur that the UK's legal challenge is unlikely to succeed.

Mr David Hunt, the UK's new employment secretary, claimed the Commission had abused its treaty powers and said "I am confident we will win" in the court. But in the same breath he was keen to emphasise that "we have drawn most of the teeth from this directive".

The UK secured a 10-year grace period before it might have to introduce the 48-hour week, which its partners must implement within three years. After the additional seven years, there will be a "review" of the derogation, leaving open the possibility that it may be extended.

British workers who want to work more than 48 hours a week will be able to do so; those who do not will have the protection of the law. Employers will have to keep records of both categories, for inspection by national health and safety authorities whose job it will be to ensure no discrimination.

But workers in the UK will for the first time have the legal right to a minimum daily rest period of 11 consecutive hours, mandatory daily rest breaks after six hours, at least one day a week off, no more than eight hours a shift on average for night work and four weeks' annual paid holiday. The UK, however, would have to guarantee only three weeks for the six years after the directive is formally adopted, probably in seven months' time.

There are exemptions for transport, agriculture, fisheries, all work at sea such as the offshore oil industry, and – at UK insistence – for doctors in training. At Germany's behest, employers and workers can extend the four months laid down as the reference period over which the 48-hour limit is calculated.

The Confederation of British Industry said it welcomed the government's undertaking not to implement the directive in the UK until its legality was determined by the European Court.

The government's stance was attacked, however, by Mr Norman Willis, general secretary of Britain's Trades Union Congress and president of the European Trade Union Confederation. "The government would be foolish in the extreme to pursue this cause", he said. "Once again Britain is the odd one out in Europe. It will send the signal to potential investors that it is less committed to Europe than our competitors".

Bleak prediction of rising unemployment

OECD reduces forecasts for industrial growth

By Peter Norman, Economics Editor, in Paris

THE ORGANISATION for Economic Co-operation and *Development has sharply* reduced its growth forecast for the industrialised nations this year and painted a bleak picture of high and rising unemployment in Europe over the next 18 months.

Largely because the OECD expects Germany to suffer a serious *recession, the Paris-based* organisation has revised down its growth forecast for its 24 member *nations to 1.2 per cent in 1993* from 1.9 per cent forecast last December.

It expects *unemployment* in the OECD area to rise to nearly 36m next year – a new postwar record – *from 35m this year. As a per*centage of the OECD labour force, it is forecast to rise from *7.9 last year to 8.5 in 1993 and 8.6* next year.

The German economy is now *expected to contract* by 1.9 per cent this year with the result that the European members of *the OECD will experience a 0.3* per cent fall in output. Six months ago, the OECD expected *both Germany and Europe to* grow by 1.2 per cent in 1993.

The OECD expects the much *worse outlook for the German* economy will be reflected in sharply higher unemployment. Germany's jobless total is expected to increase to about 4.5m, or *11.4 per cent of the labour force*, by the end of next year from 4m or 10.1 per cent this year. Six *months ago, the OECD forecast a* slight decline in German unemployment to 8.1 per cent of the *labour force* next year from 8.3 per cent in 1993.

OECD projections ....Page 2

The latest OECD forecasts form a gloomy backdrop to the annual meeting of finance, trade and eco*nomics ministers from OECD* countries which begins in Paris today. The OECD secretariat said *social cohesion in western indus*trial countries will be threatened if unemployment persists.

Officials are concerned that unemployment is falling more slowly than in previous upturns *in countries, such as the US*, which are recovering. Another problem is that unemployment *has hit* white collar workers and upper and middle management far more severely in the latest *downturn than previously*.

Europe is a particular problem. The OECD's latest forecast *implies that its European mem*ber states will have a total of just under 23m jobless by the end of 1994 compared with about 8.25m in the US and 1.7m in Japan.

The OECD has made only a slight downward revision to its forecast for US growth. Officials *regard the US economy's weak* performance in the first quarter as a temporary aberration that *should be followed by a gradual* recovery in the current quarter.

The organisation also believes *Japan is close to recovery* although it has revised down its expectation of Japanese growth *this year to 1 per cent* from 2.3 per cent six months ago.

Adding to the gloom is the real*isation that there is relatively lit*tle governments can do to spur growth and create jobs.

There is little scope for more expansionary monetary or fiscal policies, although the OECD *believes that countries should try* to improve the quality of the public spending programmes to get "*more bang for the buck*" in terms of growth. It will urge member countries to reject pro*tectionism and focus on improv*ing the skills of their workforces to combat unemployment.

*Trade ministers from the lead*ing industrial countries will be engaged in talks on the margins *of the OECD meeting in the hope* of achieving progress in the Uruguay Round of trade liberalisation talks.

Ministers from the so-called quadrilateral group of countries – the EC, US, Canada and Japan – will meet to discuss trade issues this morning.

Kohl urges calm after wave of protests in Germany

By Quentin Peel in Bonn

THOUSANDS of Turkish and German demonstrators took to *the streets of German cities again* last night to protest against racist violence, in spite of an appeal *for calm from Chancellor Helmut* Kohl.

The continuing wave of anger *followed the deaths* at the weekend of two Turkish women and three girls in an arson attack, *blamed on teenage skinheads* professing neo-Nazi sympathies.

One youth was in police cus*tody last night*, and *the authori*ties issued the description of four more skinheads suspected of *involvement in the attack, in the* steelmaking city of Solingen, north of Cologne. Later they *withdrew the description, saying* it might be a hoax.

Autobahns in several parts of *the Ruhr industrial region* were blocked by Turkish protesters on Monday night and yesterday *morning, after a second night of* rioting left windows smashed in banks, shops and restaurants in *Solingen*.

Demonstrations were under way again last night in Solingen, *as well as other big centres of* Turkish migrant workers like

Continued on Page 18

A Turk, his national flag draped over his shoulders, stands with others in front of the house in Solingen in which five compatriots died during an arson attack last weekend

ADT lines up $1.3bn refinancing package

By Richard Gourlay in London

ADT, the international security services and car auction company, is to make a US public offering of 18m shares as part of a *deal* announced yesterday to refinance $1.3bn of debt and preference share obligations.

The Bermuda-registered company has also received commitments for a new $500m credit facility from Bank of Nova Scotia and Chemical Bank. It expects within the next few days to register details of a $600m public debt offering with the US Securities and Exchange Commission.

Mr David Hammond, ADT's deputy chairman, said the three-part package aimed to clear up all the "financial question marks" surrounding the group, which began in the UK but now conducts most of its business in the US. The package will allow payment next year of $435m to

Continued on Page 18

Clinton to compromise on deficit proposals

By Jurek Martin in Washington

PRESIDENT Bill Clinton yesterday declared he was willing to accept smaller tax increases and deeper spending cuts in order to get his deficit reduction plan through Congress.

In a speech in Milwaukee with a bipartisan tone, he said the US must "move beyond entitlement and abandonment". Democrats had to accept that not all cherished social programmes *could* be fully funded, as in the past, while Republicans should recognise *that it was impossible "to aban*don the cities".

The address to a lunch organised by *conservative and other* groups in a blue-collar Democratic city was replete with campaign-style *pleas for a new politi*cal consensus. Washington had to forget "brain dead politics from either party," *and seize* "the historic moment to regain control of our economic destiny".

He did not specify which of his proposed new taxes might be reduced and where spending might be cut more sharply. Indeed, he continued to defend his overall prgramme as "balanced and fair". But it is widely assumed the BTU-based energy tax will not emerge from the Senate later this month in anything like the broad-based form it passed the House last week.

Mr Clinton's willingness to compromise on energy tax has elicited optimistic forecasts from conservative Democratic critics, like the oil-state Senators David Boren of Oklahoma and John Breaux of Louisiana, that an amended budget package stands a fair chance in the Senate.

The prospective change in the *tax and spending mix of his pro*posals may also appeal to some moderate Republican senators, already *impressed* by his recruitment to the White House staff of Mr David Gergen who formerly *worked for Presidents Reagan*, Ford and Nixon. In the House, the opposition party had voted *without a single defection* against the president's plan.

Mr Clinton received some qual*ified support for his attack on the* federal deficit from the independent Congressional Budget Office yesterday.

US growth picks up, Page 7

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SPD accepts Deutsche Telekom reform

By Ariane Genillard in Bonn

GERMANY'S coalition government and opposition Social Democrats (SPD) have paved the way for the privatisation of Deutsche Telekom, the state telecommunications monopoly, by agreeing to reform post and telecommunications services.

The agreement, which closes two years of difficult negotiations, will create separate joint stock companies for Deutsche Telekom, the postal services and the German postal bank. The three enterprises will operate under a holding company controlled by the state.

The move will allow Deutsche Telekom to move towards its target of selling 49 per cent of its capital to the private sector, starting in January 1996.

Details of how much control the holding company will have over its subsidiaries still have to be worked out between the coalition and the SPD, whose support in parliament is needed to change the constitution and allow telecommunications to leave state ownership.

But the agreement represents a victory for Mr Wolfgang Bötsch, the posts and telecommunications minister, who has been pushing the SPD to accept the privatisation of Deutsche Telekom.

Deutsche Telekom itself has repeatedly warned that it would not be competitive in a liberalised telecommunications market in the EC unless it could get access to the capital markets and restructure itself.

"We are greatly relieved that a solution was found which allows for the privatisation of the German telecoms," a spokesman from Deutsche Telekom said yesterday.

The agreement foresees that the holding company will be an Anstalt des öffentlichen Rechts, or public law corporation, a special legal status enjoyed by some regional banks and television channels. Such a corporation would initially offer non-tradable certificates to private buyers but voting rights would remain with the state.

This arrangement is a compromise to win over the SPD, which is insisting on some state control in order to ensure that all parts of the country are serviced.

The SPD has also been concerned about the special job security and pension rights of employees. "The agreement was done in such a way that the professional future of the post and telecom staff will not be jeopardised," the negotiating parties said on Friday.

The negotiators are due to submit the agreement to the executive committees of their parliamentary caucuses on June 14.

Ukrainian parliament urged to give Kravchuk control over economy

Kuchma backs greater presidential power

By Chrystia Freeland in Kiev

UKRAINIAN prime minister Leonid Kuchma yesterday urged parliament to support President Leonid Kravchuk in his bid to assume extraordinary powers over the economy.

Mr Kuchma also repeated his offer to resign, despite parliament's refusal to accept his resignation 10 days ago. He said that the president should have the right to choose his own prime minister.

Mr Kuchma's move is likely to resolve the political stalemate which began two weeks ago when the president and prime minister put forward conflicting proposals to create a single centre of executive authority in Ukraine.

Today parliament, which in the past has put more faith in the prime minister's economic leadership than the president's, is due to decide whether or not to grant Mr Kravchuk's request for additional powers. Now that Mr Kuchma has withdrawn his own proposal to be granted extensive control over the economy and backed the president's bid, parliament is more likely to support Mr Kravchuk.

Mr Kuchma justified his decision to support the president – whose commitment to the tough economic reforms Mr Kuchma has championed has been lukewarm – on the grounds that without a single source of executive power Ukraine would be unable to cope with its deepening economic crisis.

But the future direction of Ukrainian economic policy remains unclear. Although Mr Kuchma repeated his offer to resign he left open the possibility that he would serve as Mr Kravchuk's prime minister, if the president were willing to back the harsh economic decisions Mr Kuchma believes Ukraine must make.

Mr Kuchma yesterday painted a bleak picture of the economy in the aftermath of Russia's decision to charge world prices for fuel sold to Ukraine. He said that many chemical and metallurgical factories are now unprofitable and must be shut down, that 45 per cent of coal mines should be closed and that even Ukraine's defence industries might go bankrupt.

"Whether you like it or not, the reality is that we have already entered into a hyper-inflationary spiral," Mr Kuchma said. "We have no alternative but to introduce a system of ration cards for some basic foods."

Mr Kuchma also insisted that political considerations must give way to economics. As an example, he said that Ukrainian leaders must "be honest and recognise that in the near future Russia will never leave Sevastopol [the disputed Black Sea port]."

He said that Ukraine "must recognise this reality and make money from it" by charging Russia for the use of the harbour.

Chunnel contracts go-ahead near

By Andrew Hill in Brussels

THE European Commission looks likely to approve the basic contracts to provide freight, passenger and sleeper rail services through the Channel tunnel before the August holidays, following a long competition inquiry.

But Mr Karel Van Miert, EC competition commissioner, wants to establish the principle that private operators can compete with state railway companies, even if there is little pressure at the moment from potential rival services.

If the Commission decides to outlaw or substantially amend the contracts, that could further delay the opening of the tunnel, due in early 1994.

Even so, Mr Van Miert, who used to oversee EC transport policy until he took over the competition portfolio in January, is said to be keen to encourage the cross-Channel link.

His spokesman said yesterday that an announcement was expected "pretty soon".

Eurotunnel, which will operate the tunnel, and British and continental European railways have sought clearance under EC competition rules for a series of contracts.

Most important is the deal between Eurotunnel, British Rail and SNCF, the French state railways, which gives the railways the right to take up 50 per cent of the tunnel's capacity for passenger through-trains during Eurotunnel's 55-year operating concession.

The other 50 per cent will be used by Eurotunnel itself for shuttle services between the two ends of the tunnel.

The Commission was originally examining the possibility of reducing the length of the contract, perhaps to as little as 30 years, so as to let private operators compete with BR and SNCF. The Brussels authorities are now considering how to leave the contract open to possible competition without jeopardising the financing of the link.

The Commission is also completing its consultations on the exclusive contracts for freight and sleeper services.

Yesterday, it published the official notice inviting comments on European Night Services (ENS), the sleeper joint venture majority-owned by BR in partnership with French, Dutch, German and Belgian railways. Interested parties have been given 30 days to submit their views on the agreement, which the Commission believes could infringe competition rules.

In practice, however, there are few potential competitors who could meet the high cost of entering the sleeper market. ENS has already placed an order for 139 sleepers to be built by Metro-Cammell, a subsidiary of GEC Alsthom.

The deadline for comments on freight services through the tunnel passed at the end of March.

Péchiney insider dealing trial opens

By David Buchan in Paris

NINE PEOPLE are due to appear before the Paris criminal court today charged with passing, or receiving, inside information on the purchase by Péchiney, the French metals and metal packaging group, of the US company Triangle in late 1988.

The case, though it involves events more than four years old, has continued to reverberate through the French political and financial establishment.

One of the accused, Mr Alain Boublil, headed the private office of Mr Pierre Bérégovoy when the latter was finance minister. Mr Roger-Patrice Pelat, who was implicated earlier in the affair but is now deceased, was a close friend of President Mitterrand.

Mr Bérégovoy himself was called to give evidence to the investigating magistrate after his election defeat as prime minister in late March and before his suicide on May 1.

Mr Boublil, now a senior executive of Framatome, the state nuclear reactor group, has denied passing on information allowing others to profit from buying shares in Triangle, which controlled American National Can, just before Péchiney, a state-controlled group, made a $56-a-share bid.

Others in the dock maintain they concluded from market research, rather than any tip-off, that Triangle shares were a good buy. But the US Securities and Exchange Commission detected unusually heavy buying in the US stock and passed on its suspicions to the French authorities.

A conviction for insider trading can carry a prison sentence of between two months and two years as well as a fine of between FFr6,000 to FFr10m (£1.18m). Where an insider trade has made a profit, the fine can be up to 10 times the profit, without limit.

Yeltsin attacked on constitution

By Leyla Boulton in Moscow

PRESIDENT Boris Yeltsin's two most implacable opponents yesterday attacked his plans to push through a new constitution, with Vice-President Alexander Rutskoi calling him a liar intent on destroying the country with western support.

Addressing a meeting of local councils, Vice-President Rutskoi called for parliament to remove the government within a couple of months and for individual ministers to be tried for committing "an economic crime against the people".

"The president allows himself to lie. Consequently the government allows itself to lie," he said in the latest of a series of increasingly bitter attacks on his former ally.

He also suggested that western support for Mr Yeltsin as a "great democrat" was part of a plot which had begun with western support for Soviet President Mikhail Gorbachev's perestroika. "Where did that end? The annihilation of a great state which was reckoned with by the whole world."

Last month, Mr Rutskoi claimed that corrupt officials were going to misappropriate western aid for Russian reforms.

Meanwhile, Mr Sergei Filatov, the president's chief of staff, hinted that the unruly vice-president might soon by evicted from his office in the Kremlin.

Yesterday's meeting was convened by Mr Ruslan Khasbulatov, the parliamentary speaker, to co-ordinate resistance to Mr Yeltsin's Constitutional Convention, which opens on Saturday with the aim of bypassing parliament to produce a final draft constitution.

Mr Khasbulatov said he would take action to "cure" the members of the parliament's ruling praesidium who tried to remove him from office on Monday. The rebels included Mr Alexei Pochinok, chairman of the budget committee, who claimed that "the whole country is moving towards capitalism and one man – Mr Ruslan Khasbulatov – is trying to brake this process".

But with local council representatives hedging their bets now that Mr Yeltsin has the upper hand in Russian political life, they concluded their meeting with just a warning that the Constitutional Convention could take no binding decisions.

They also expressed their opposition to Mr Yeltsin's offer of specially tailored deals for individual republics within the Russian Federation.

Big Macs rake in the roubles

By Leyla Boulton in Moscow

Moscow cabbie grabs a bite at Moscow's newest McDonald's

AS THE value of the rouble plunges and potential foreign investors worry about a host of obstacles to investing in Russia, Russian officials had several reasons yesterday to feel thankful for McDonald's hamburgers.

Opening the second McDonald's restaurant in Moscow, along with a 12-storey office block, Mr George Cohon, head of McDonald's Canada, could well be described as the Russian authorities' idea of a model investor.

McDonald's proven determination "to be here for the long term" and to serve Russians in their own currency as opposed to the dollars charged by most other foreign joint ventures are just a couple of reasons for Russian gratitude.

Mr Viktor Khlystun, the agriculture minister, praised the fact that McDonald's gets most of its supplies from inside Russia after setting up a $45m processing plant outside Moscow.

He also thanked McDonalds for providing jobs, a model of western standards for the country's decrepit service industry, and finally for what he described as "the most delicious food".

But despite the jolly opening ceremony – with Big Macs, musicians playing the balalaika, and hundreds of yellow balloons forming a giant M – life has been tough for McDonald's since it opened its first restaurant in Moscow 3½ years ago.

Although the first Moscow restaurant is the busiest McDonald's in the world the plunging rouble, high inflation and constantly changing tax rules have been a challenge to McDonalds management, who admitted that they have no idea of when it could recoup its initial $50m investment.

"It will depend on how rapidly we can open new restaurants, what happens to the rouble, what happens to raw materials that we buy. We don't have an estimate of how long it will take. There are too many variables," said Mr Cohon.

Apart from housing the restaurant on the ground floor, the McDonald's office block is rented out to western companies in an attempt to generate hard currency alongside the mountains of roubles made from selling hamburgers.

Duo from France strike separate chords with Kohl

By David Buchan in Paris

FRANCE'S leading "odd couple" – Socialist President Francois Mitterrand and Conservative prime minister Edouard Balladur – yesterday made their international debut by singing broadly the same tune in separate talks with Mr Helmut Kohl, the German Chancellor.

At the 61st half-yearly Franco-German summit in Beaume, which will end today with a joint press conference by all three men, the priorities are expected to be the Uruguay Round of world trade talks under the General Agreement on Tariffs and Trade and the situation in Bosnia.

France is seeking to win German approval for a tougher European negotiating stance in Gatt.

On Bosnia, Bonn has expressed worry that the Moslems might never be able to reclaim their land from the "safe havens" proposed by France and Britain.

French officials say this is a misunderstanding and are privately dismissive of German concerns about Bosnia, where Bonn has no troops nor intention of sending any.

Earlier yesterday, Mr Douglas Hurd, the UK foreign secretary was in Paris to discuss Bosnia with Mr Alain Juppé, his French counterpart.

Mr Kohl has already navigated the tricky diplomatic waters of a French "cohabitation" when the conservatives were last in power in Paris in 1986-1988.

In subsequent years spent negotiating the Maastricht treaty he has forged a close relationship with Mr Mitterrand, but the German leader cannot ignore the weight that Mr Balladur derives from his enormous parliamentary majority.

According to a Sofres poll published yesterday, 67 per cent of French believe that Mr Balladur is the country's real chief executive.

OECD releases new forecasts

BELOW are the projections, seasonally adjusted, for industrialised economies released in Paris yesterday by the OECD, writes Peter Norman.

Its latest projections assume unchanged policies, unchanged exchange rates from May 14, and an oil price of $16.50 per barrel for 1993 and constant in real terms thereafter.

The two right-hand columns are the organisation's December 1992 projections which are included for comparative purposes.

SUMMARY OF OECD PROJECTIONS

	Latest			at Dec 92	
	1992	1993	1994	1993	1994
Real GDP*					
US	2.1	2.6	3.1	2.4	3.1
Japan	1.3	1.0	3.3	2.3	3.1
Germany	2.0	-1.9	1.4	1.2	2.9
OECD Europe	1.0	-0.3	1.8	1.2	2.5
Total OECD	1.5	1.2	2.7	1.9	2.9
Inflation*					
US	2.6	2.6	2.4	2.3	1.9
Japan	1.8	1.6	1.7	1.7	1.7
Germany	5.4	4.9	3.1	4.6	3.3
OECD Europe	4.9	4.1	3.9	4.9	4.2
Total OECD	3.3	3.0	2.8	3.2	2.8
Unemployment†					
US	7.4	7.0	6.5	7.3	6.9
Japan	2.2	2.5	2.6	2.3	2.4
Germany	7.7	10.1	11.3	8.3	8.1
OECD Europe	9.9	11.4	11.9	10.6	10.5
Total OECD	7.9	8.5	8.6	8.2	8.1
Government budget balances§					
US	-4.7	-3.8	-2.9	-4.3	-3.4
Japan	1.8	0.1	-0.1	0.4	0.5
Germany	-2.8	-4.1	-4.1	-3.2	-2.7
OECD Europe	-6.0	-7.1	-6.6	-5.4	-4.8
Total OECD	-3.8	-4.2	-3.6	-3.8	-3.2
Current balance§					
US	-1.0	-1.3	-1.4	-1.1	-1.1
Japan	3.2	3.3	3.3	3.3	3.3
Germany	-1.3	-1.5	-1.5	-1.2	-1.2
OECD Europe	-0.8	-0.8	-0.7	-0.6	-0.5
Total OECD	-0.2	-0.2	-0.1	-0.1	-0.1
Short-term interest rates‡					
US	3.4	3.0	3.8	3.1	4.0
Japan	4.3	3.4	3.5	3.6	3.8
Germany	9.5	7.0	4.7	7.8	6.5
4 EC nations‡	11.0	8.0	6.0	8.9	7.6
World Trade growth*	5.5	4.0	5.8	4.9	6.1

* *Percentage change from previous period. † Per cent of labour force. § Per cent of GDP. ‡ Per cent. ‡Germany, France, UK and Italy*

Immigrant clampdown urged in EC

By Hilary Barnes in Copenhagen

EUROPEAN Community ministers responsible for immigration policy yesterday called on member states to clamp down on illegal immigration. But the ministers also passed a resolution laying down guidelines for admitting "particularly vulnerable" refugees from former Yugoslavia.

The ministers agreed that persons who had entered the Community illegally, including those who have had applications for asylum turned down, should be expelled unless there were compelling humanitarian reasons for allowing them to remain.

The ministerial recommendation has no legal force and does not bring into being any new regulations, but it was seen as a call to member states to tighten up existing controls.

The ministers failed yesterday to make any progress on the vexed issue of sharing the burden of refugees from the former Yugoslavia.

Some countries, notably Germany, have accepted far more refugees than others, such as the UK, France and Ireland.

But they called on member states to take "suitable measures" for admittance of especially vulnerable refugees. These were defined as including persons from prisoner of war camps, injured and seriously ill people, those under direct physical threat, victims of sexual assault, and those who cannot return to homes in combat zones because of the conflict and the abuse of human rights.

NEWS IN BRIEF

Finn tax plan to align with EC

FINLAND PLANS to introduce Value Added Tax next January, at a general rate of 22 per cent, to help trim government debt and bring the country into line with tax regulations in the European Community, which Finland hopes to join in 1995, Hugh Carnegy writes from Stockholm.

Assuming the proposal by the centre-right government gets through parliament, VAT will replace a turnover tax currently levied at the same rate. But it will extend the scope of the tax considerably, covering a range of services not at present subject to turnover tax. VAT exemptions are planned, however, on health, social, educational, banking and insurance services, and on agriculture and forestry.

The government said the imposition of VAT would strengthen the external balance of the recession-hit economy and help slow the recent steep growth in government debt, which has risen to some 50 per cent of GNP, compared with less than 20 per cent at the end of 1991.

Germans hold back on abortion pill

Hoechst, the German chemical group, said yesterday it would not apply for a permit to sell the RU-486 abortion pill because it believed a German legal ruling last week was unclear, Reuter reports from Bonn.

A spokeswoman for Hoechst, which is linked with the French company Roussel Uclaf which developed the controversial pill, told German radio that last week's Constitutional Court ruling on abortion had not made the legal position in Germany clear.

The court in Karlsruhe said a 1992 compromise between restrictive West German rules and East Germany's abortion on demand violated constitutional guarantees respecting life. But it added that abortion should not be treated as an illegal act to be punished, a fine legal distinction which in practice allows abortions in the first three months of pregnancy if a woman first consults a doctor.

Roussel-Uclaf and Hoechst have never applied for German or US sales licences because of concern that anti-abortion activists would organise a boycott of the groups' products.

Talks on E Europe economic reform

Members of parliament from 39 countries and financial experts are to attend a three-day conference in Helsinki from today on economic reform in eastern Europe, Reuter reports from Helsinki. The conference is being organised by the Parliamentary Assembly of the Council of Europe. It will "analyse the specific problems facing the economies of those countries and will propose policies designed to facilitate the reform process and strengthen economic co-operation," according to the organisers.

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Television channel licences investigated

Rome corruption inquiry extended

By Robert Graham in Rome

ROME magistrates have extended the scope of an inquiry into corruption at the Ministry of Posts to include the controversial granting of television channel licences five years ago.

The licences allotted three channels to the state-run RAI broadcasting organisation, the first two channels to be run by the Christian Democrat and Socialist parties.

The three main commercial channels went to Mr Silvio Berlusconi's Fininvest group, which has since come to account for nearly 45 per cent of the total national audience, against RAI's 50 per cent share.

Over the weekend Rome magistrates arrested for the second time on charges of alleged corruption and illicit financing of political parties Mr Davide Gaicalone, private secretary to Mr Oscar Mammi, the Republican posts minister responsible for the television licensing system.

Mr Giacalone is alleged to have taken a bribe from as yet unidentified persons of L1.2bn ($820,000) for the granting of these licences. Separately it has emerged that when he left the ministry in 1991 Mr Giacalone set up a consultancy, and one annual contract worth L460m came from Fininvest.

Yesterday the magistrates heard evidence from Mr Adriano Galliani, the chief executive of Fininvest. He was accompanied by Mr Berlusconi, who appeared voluntarily before the magistrates to provide evidence. Mr Berlusconi, a close friend of Mr Bettino Craxi, the former Socialist prime minister, has denied any wrong-doing by Fininvest over the handing out of television licences or in the hiring of Mr Giacalone.

Until now Mr Berlusconi has managed to avoid being caught up in the corruption scandals – one of the very few big entrepreneur's in such a position. However, his brother, Paolo, who heads construction interests long split from Fininvest, was on Monday sent for trial on charges of alleged illicit party financing relating to waste disposal contracts in the Milan area.

Mr Berlusconi is in the spotlight because the licensing system is currently being reassessed and a number of politicians want to reduce his dominant position in commercial television and cut Fininvest's use of sponsorship on programmes.

They also believe he has allowed several political parties heavy discounts on electoral advertising.

● Following April's referendum on electoral reform, the constitutional affairs committee of the Chamber of Deputies has begun sitting to devise a plan for replacing proportional representation with a first-past-the-post majority voting system for the assembly's 630 seats. It has until July 31 to complete its work.

If the lower house's committee fails – as several commentators believe it will – Prime Minister Carlo Azeglio Ciampi has vowed to force through an as-yet unspecified government plan.

Swedish state takes on property role

By Hugh Carnegy in Stockholm

THE SWEDISH state is set to become one of Europe's biggest commercial property players because of the loan crisis that damaged the country's banking sector last year.

Bank and government officials say the state may soon rank as high as Europe's 10th largest property company if it takes over banks' property loan portfolios worth up to SKr70bn ($9.6bn).

"The government is certainly going to play a role in the commercial property market for the next decade," said Mr Stefan Ingves, director-general of the bank support authority, the body set up to handle the banking emergency.

Lending to the property sector in the late 1980s, which later turned bad as property prices slumped especially in Sweden and the UK, was a prime cause of the crisis which saw Sweden's main commercial banks return unprecedented losses in 1992.

As part of its still uncompleted rescue operation, which has to date cost SKr67.5bn in cash, loans and guarantees, the government owns two of the five biggest banks, Nordbanken and Gotabank.

To help launder their balance sheets and prepare them for eventual re-privatisation, the bank support authority is hiving off into legally separate "bad banks" their problem assets, many of which are in property.

Gotabank has not yet decided which of its non-performing assets will go into its "bad bank", but property accounts for some SKr25bn of the bank's Skr40bn of problem loans and credits.

The process is furthest advanced at Nordbanken, which has dumped assets totalling Skr67bn into Securum, a new state-run agency. These assets include 2,450 properties in Sweden and 550 overseas, which together represent Skr40bn-Skr45bn in outstanding loans.

In Sweden, the government intends to manage the former Nordbanken and Gotabank property assets separately and avoid "firesale" disposals to try to stabilise the local property market.

A Securum spokesman pointed out that the agency's ultimate aim is to deal itself out of the market, and not become a long-term player. "We are not going to become some sort of monster in the market. We are very large in terms of volume, but our real estate is spread very widely and it is not the best property around. If it was, we wouldn't have it in our hands."

Bosnian Serb soldiers on patrol near Srebrenica

Three killed in Bosnia as UN relief convoy comes under fire

TWO DANISH drivers and a local interpreter were killed yesterday, and four Danes wounded, when artillery fire hit their UN relief convoy in northern Bosnia, a UN spokesman said, Reuter reports from Geneva.

The 12-truck convoy came under attack while unloading food supplies for the northern Bosnian town of Maglaj.

Meanwhile, UN and European Community officers said there was still a remote chance that one or more of the three Italians, reported shot by gunmen while carrying food aid in central Bosnia on Saturday, might still be alive.

Earlier, UN military officials at Vitez said three UN drivers had been killed and at least nine injured.

In Sarajevo, two shells landed on a football match, killing at least 11 people and wounding about 100, city hospitals said. Sarajevo radio said three children had been killed earlier in Serb shelling, which continued throughout the night, but President Alija Izetbegovic and other local people ventured to the city's largest mosque for the traditional Moslem religious ceremony of Bajram.

Anti-aircraft machine-gun fire hammered the city centre throughout the night. Dozens of people were reported killed and scores wounded in the weekend flare-up in Sarajevo.

The radio also said the situation around the east Bosnian Moslem enclave of Gorazde was still fraught, with Bosnian defence lines pierced by Serbs. Gorazde authorities appealed again for UN observers.

Mayoral polls will point way ahead for Italy

Milan is the big prize for old and new parties, writes **Haig Simonian**

SHAKEN by terrorist bombings and stirred by 16 unrelenting months of revelations about political corruption, almost 11m Italians will go to the polls next Sunday in the first big test of public opinion since last year's general election.

The voting in mayoral polls will provide the clearest snapshot yet of the country's mood and the balance of power between the parties.

With national politics in ferment after deepening divisions among the Socialists – severely tainted by the corruption scandals – and the departure of the popular Mr Mario Segni from the Christian Democrats, the outcome will be decisive in mapping the months before a general election widely expected in the autumn.

Attention on Sunday will focus on a handful of cities, led by Milan, where new ground is being broken constitutionally as well as politically. For the first time, voters in towns in mainland Italy will be choosing their mayor directly, in a reform originally put forward by Mr Segni's referendum movement. Voters will still be presented with party lists, but the contenders for mayor need not be linked to any party.

The new system's impact has already been seen in the run-up to the polls, with a much greater concentration on candidates than on parties.

The change has contributed to the erosion of traditional allegiances, and is likely to accentuate the broader disillusionment with the established political order now sweeping much of Italy.

The newly elected mayors will be free to make their own appointments to the city council, eliminating the arduous horse-trading usually associated with the translation of electoral support into party politically balanced councils.

But distancing the mayor's job from party structures does not mean Sunday's polls are being ignored by the main groupings. Winning control of Milan, Italy's second city, and Turin, its fourth, represents an important prize for the victor and a severe loss of face for the losers.

The Lombard League, represented by Mr Marco Formentini, its parliamentary leader, is pinning its hopes on winning Milan.

Victory would provide the boost Mr Umberto Bossi, its leader, seeks after gaining control of many smaller Lombardy towns.

The League still suffers from criticisms that it is no more than a protest movement. Winning in Milan would provide the chance to show it has real policies and the talent to govern a large conurbation. Failure would be a serious blow in its Lombard homeland and reinforce suggestions it may be running out of steam.

Victory for Mr Nando dalla Chiesa, a popular sociologist and MP for La Rete (Network) would also shake up the established political order. Mr dalla Chiesa, whose father, a Carabinieri general, was assassinated by the Sicilian Mafia in the 1980s, is one of La Rete's co-founders with Mr Leoluca Orlando.

The growing support for the party, which puts crime-and-corruption-busting at the top of its agenda, epitomises the current breakdown in established voting patterns. Success in Milan, where Mr dalla Chiesa is supported by the Democratic Party of the Left, the former Communists, could help significantly creation a stronger left-wing alliance nationwide.

Failure by both Mr Piero Bassetti and Mr Piero Borghini, two of the three candidates representing the broad political centre, would be a blow to the established parties. Mr Bassetti, a former Christian Democrat chairman of the Lombardy region, is struggling to shake off his political past.

Mr Borghini, a former Communist turned independent, elected mayor with the blessing of Mr Bettino Craxi, the former Socialist leader, would also like people to forget his links. Though he is widely seen as honest and intelligent, the Socialist stigma is so strong that Mr Borghini politely declined the party's formal backing.

With corruption at the forefront and established party alliances crumbling, dividing lines between local and national issues have become blurred.

Most of the 12 Milan candidates are offering broadly similar policies. Eliminating political corruption and making city government more transparent are at the forefront. De-politicising urban administrations by basing appointments on ability rather than party affiliations also feature prominently.

The winner may not be known until a widely expected run off, due on June 20. But whoever captures Milan, the message to Rome is clear: Italian politics are changing, and those unable to react in time and reform run the risk of being swept away.

RESULTS of last weekend's general election in San Marino have demonstrated that the world's smallest republic (population 23,000) is in no mood *to change, writes* Robert Graham in Rome.

The fortunes of the ruling Sanmarinese Christian Democrats have not followed those of their discredited patrons in neighbouring Italy. They gained 41.4 per cent of the vote compared to 44 per cent in 1988. Their Socialist allies held on to 23.7 per cent.

Between them these two parties have 40 of the 60 seats in the Great and General Council which dates back to medieval times, ensuring that they will form the next "government".

The main losers were the reorganised Communists, rechristened the Progressive Democrats. They won only 18.9 per cent against 28.7 in the previous election.

EC fails to ease Cairns Group fears

By Lionel Barber in Brussels

MR Peter Cook, Australian trade minister, yesterday called for the Cairns Group of agricultural exporting countries to toughen its stand in the Gatt global trade liberalisation talks.

His call followed high-level talks with the European Commission in Brussels, during which he failed to receive assurances about early European ratification of last year's US-EC Blair House accord on agricultural export subsidies.

Australia, representing the 14-member Cairns Group, is worried that the EC-US focus on reaching a substantial market access package in industrial products and services risks delaying final agreement on agriculture.

In Brussels yesterday, Mr Cook suggested – in talks with Sir Leon Brittan, EC trade commissioner, and Mr René Steichen, EC agriculture commissioner – that the US, EC, Japan and Canada – the principal negotiators in the market access talks – might be tempted to re-open Blair House in order to bridge last-minute differences.

But, after the Brussels meetings, Mr Cook left the impression that the EC was unable to give assurances either on the timetable for ratification of Blair House or on the inviolability of the accord.

The Blair House agreement, which limited EC-US farm export subsidies, faces severe criticism from France. However, the French government has signalled it is ready to accept part of the transatlantic agreement covering oilseeds.

Mr Cook told reporters that Blair House was "rock bottom" for the Cairns Group in terms of an acceptable deal.

He added: "I don't think the Commission was in a position to give me a commitment [on Blair House] in advance. I don't think I will be returning to the southern hemisphere thinking that all is sweet on agriculture."

As a result, Mr Cook said, Australia would urge the Cairns Group to adopt a tough message at its meeting in Bangkok on June 26-27, aimed at ensuring its interests are heeded at the Group of Seven industrialised countries' meeting in Tokyo on July 7-9.

The EC hopes to reach a broad agreement among the G7 on an across-the-board market access package, using such a deal as a springboard for a comprehensive Gatt agreement by mid-December, the deadline for the expiry of fast-track negotiating authority for US President Bill Clinton.

At a meeting of the Organisation for Economic Co-operation and Development in Paris today, Mr Cook will receive another account of progress among the US, EC, Canada and Japan on the market access package.

Investors move as Asia gets on the phone

Opportunities abound as telecommunications catch up with region's economic growth, writes Andrew Adonis

A telecommunications revolution is sweeping the Asia-Pacific region. It is not just new technology: the region's industry is being liberalised and privatised at a pace breathtaking to observers of Europe's state-owned phone monopolies.

Opportunities for overseas companies are manifold. Cable and Wireless, the UK group, is exploring the ground for a \$3bn (£2bn) joint venture to engineer a huge expansion of the Philippines' fixed-line system; it already has a majority stake in Hong Kong Telecom, plus ventures in Australia, Pakistan, Japan and Thailand.

Most of Asia-Pacific's economies outgrew their telephone systems years ago. Governments now realise that only a massive injection of overseas expertise and investment will give them the infrastructure they need to sustain current growth rates.

"Over the next 20 years, the region will need about 500m telephone lines, currently valued at \$750bn," according to Mr Arnold Djiwatampu, a senior official of the International Telecommunications Union, a UN agency.

With 60 per cent of the world's population, and more than a quarter of its output, the region has barely 17 per cent of the world's telephone lines. If line growth continues at the current rate of about 10 per cent a year, the number of main lines would reach nearly 5 per 100 people by the year 2000, more than doubling the current telephone facility and representing a total investment of at least \$60bn.

Mr Andrew Harrington, regional telecommunications analyst at Salomon Brothers Hong Kong, says: "Asia-Pacific's telecoms sector is about to become a powerful magnet for investment funds both from established companies and diversified investors. In the next three years alone, there will be total equity flotations of around \$10bn. Direct investment by international telecoms companies is likely to match that figure."

Australia, New Zealand, Singapore and Hong Kong already have modern systems and a high ratio of lines to population. The priority in those countries is lower prices and more services through a variable combination of privatisation of fixed-line networks, liberalisation, and rapid progress in developing the mobile and value-added sectors.

THE ASIAN TELECOMMUNICATIONS REVOLUTION

Country	1992		1997*	
	Lines (m)	Lines per 100 people	Lines (m)	Lines per 100 people
Australia	8.3	49.0	9.6	55.0
China	12.0	1.0	30.0	2.4
Hong Kong	2.8	47.0	3.9	64.0
India	5.0	0.6	17.0	2
Indonesia	1.5	0.8	6.5	3.3
Malaysia	2.1	11.0	4.9	24.0
New Zealand	1.5	43.0	1.7	49.0
Pakistan	1.0	0.8	1.6	1.3
Philippines	0.8	1.3	1.8	2.7
Singapore	1.1	41.0	1.6	56.0
South Korea	16.0	35.0	21.0	45.0
Taiwan	7.0	35.0	9.2	45.0
Thailand	1.5	2.7	4.5	9.0
Total Asia/Pacific	60.6	2.3	113.3	4.2

* Estimate. Source: Salomon Brothers

Both Australia and New Zealand have licensed competitors to their former state monopolies. Three years ago, New Zealand sold off 100 per cent of its state carrier to a consortium led by Bell Atlantic and Ameritech of the US; C&W has a 24.7 per cent stake in Optus, the main competitor to Telstra, the former Australian monopoly carrier, with whom it is now working on the Philippines feasibility study.

"A main thrust behind Australia's reforms was to make our industry more competitive so that it has a sharper competitive edge in the region as a whole," says Mr Robin Davey, chairman of Austel, Australia's telecommunications regulator.

Australian operators have responded on cue. "Our ambition is to become a premier regional carrier," says Mr Peter Shore, managing director of Telstra's international business division. The company has projects in eight countries across the region.

"But," says Mr Shore, "as far as our industry is concerned, 'trade' is a relatively new concept". Debate about the best way to proceed – through alliances with local carriers, by buying stakes in foreign companies or by competing with them – is raging. Much will depend on the stance of regulators, country by country.

Hong Kong, Taiwan and South Korea are taking tentative steps down the liberalisation road. Of the region's more advanced economies, only Singapore is holding out against competition, though Singapore Telecom is keen to exploit overseas opportunities and already has mobile and data communications joint ventures in nine countries.

In Malaysia and the Philippines, full market competition has been encouraged with the former monopolies subjected to tariff restrictions and strong competitive pressures.

Indonesia and Thailand's governments place less emphasis on competition, which is largely restricted to non-basic services. Instead, various forms of private sector partnership with existing operators are being encouraged. Pakistan is contemplating the sale overseas of a large slice of its telecommunications corporation.

In Thailand, Japan's Nippon Telegraph and Telephone has stake in Thai Telephone and Telecom, a private company, which has a "build, operate and transfer" (BOT) franchise to install 1m lines in the provinces. TelecomAsia, a consortium in which Nynex, the US operator, holds a 15 per cent stake, has a BOT franchise to build 2m lines in Bangkok.

India, which is looking to increase its number of lines from 7m to 20m by 2000, is also after joint ventures to boost investment. The equipment and mobile markets have already been partly liberalised, and the fixed-line network is expected to follow. The goal is to provide each of India's 570,000 villages with a public pay phone; at present only 100,000 have one.

In telecommunications as in other sectors, China is the land of dreams. Mr Yan Xianzu, Beijing's vice-minister of posts and telecommunications, was reported to have told the Asia Telecom trade show recently that China was aiming to nearly double its telephone capacity over the next two years, and is looking to install about 70m new lines by 2000.

Swiss approve S African sale

THE Swiss government gave the go-ahead yesterday for a controversial sale of 60 turboprop trainer aircraft to South Africa, writes Ian Rodger in Zurich.

The government said it was satisfied that technical changes to be made by the manufacturer, the Pilatus subsidiary of the weapons and engineering group Oerlikon Bührle, would make it impossible to convert the aircraft for combat use. The government also announced it would grant an export credit guarantee to support the SFr250m (£110.1m) order.

Last December, when the order was announced, a UN Security Council committee monitoring the mandatory UN arms embargo on South Africa said a sale of the PC-7 to South Africa would violate the spirit of the embargo. The Swiss government then said it would not issue an export licence unless the aircraft were modified so they could not be used for combat.

US Hispanic groups link Nafta support to side deals

By Lisa Bransten in Washington

KEY Hispanic groups are making stringent side agreements aimed at protecting worker rights and the environment a condition of their support for the North American Trade Agreement between the US, Canada and Mexico.

Several Hispanic leaders said last week that the Clinton administration also had to present a "blueprint" of a plan to retrain displaced workers before they would give their support.

The announcement will deal a blow to supporters of Nafta, who counted on Hispanic backing to get the agreement through Congress. But the US Hispanic community is deeply divided over whether to endorse the agreement.

Mr Richard Lopez, an aide to the congressional Hispanic caucus, said last week that differing opinion had prevented the group taking an official position on Nafta.

Leaders of important Hispanic coalitions such as La Raza, a civil rights group, and the Southwest Voter Registration Project said they feared Hispanics in the US would bear the brunt of the negative impact of Nafta.

"The most competitive sectors on both sides of the borders would win," said Prof Raul Hinojosa, of the University of California in Los Angeles and a leader of the Southwest Voter Registration Project. "Trade would produce job growth on both sides of the border, but the question is how those jobs are distributed.

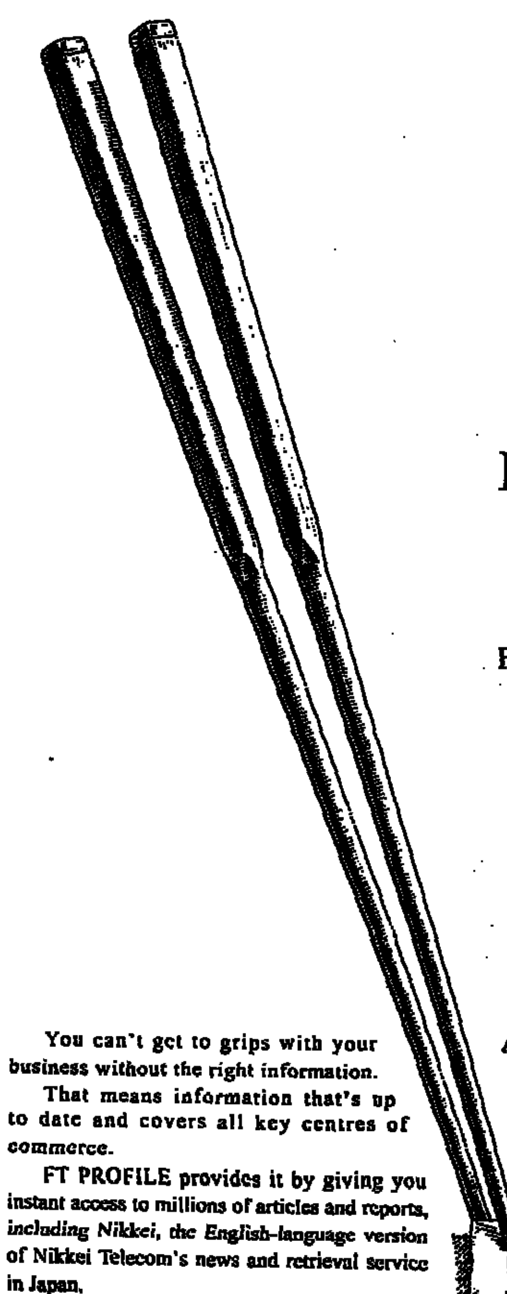
"Those sectors of the US economy most vulnerable to import penetration are those sectors most dependent on recent immigration for their labour force."

Fifteen Hispanic organisations, including La Raza, propose to set up a trilateral North American Development Bank to direct resources to regions of the US, Mexico and Canada most affected negatively by Nafta.

However, business organisations like the US Hispanic Chamber of Commerce and the Hispanic Trade Council are enthusiastic backers of the deal.

Mr Abel Guerra of the Hispanic Chamber of Commerce said he feared side agreements dealing with issues on the environment and labour rights could jeopardise Nafta. "It's a giant opportunity we can't let go to waste," he said.

At the other end of the spectrum lies Mr Segundo Mercado-Llorens of the United Food and Commercial Workers International Union who is vehemently opposed to the current incarnation of Nafta. "A vast majority of us [Hispanics] will be losers unless there are fundamental changes in the current Nafta," he said.



Purchasing index shows weak expansion in manufacturing

US growth picks up after pause

By Michael Prowse in Washington

THE US purchasing managers' index climbed back above 50 per cent last month, indicating that the manufacturing sector is expanding weakly after a pause in April.

Separate official data for personal incomes and construction spending, however, showed no rise in April relative to March.

The latest figures are consistent with consensus forecasts of a modest economic rebound in the second quarter, after weaker-than-expected growth at an annual rate of only 0.9 per cent in the first period.

The first quarter's weakness was partly due to a sharp decline in net exports, which reduced the growth rate by nearly two percentage points. The rapid increase in imports in the opening period is expected to slow down in the current quarter, greatly reducing the drag from a poor trading performance.

The purchasing managers' index rose to 51.1 per cent last month, against 49.7 per cent in April, but remained well below its average level in the first quarter. A reading above 50 per cent generally indicates that the manufacturing sector is expanding.

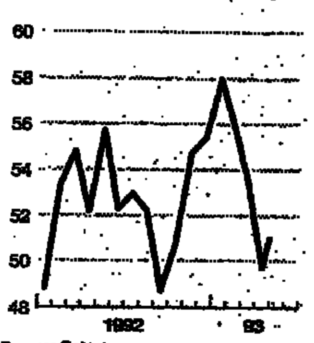
Mr Robert Bretz, a spokesman for purchasing managers, said the latest survey pointed to lower inflationary pressures and a modest rise in industrial orders. The level of order books, however, was not yet sufficient to support a vigorous expansion of production.

Most components of the index were mildly encouraging. The index for production rose from 51.8 to 55.8 per cent and the new orders index climbed from 51.1 to 53.5 per cent. However, the employment index fell to 43.4 per cent, its lowest level since January 1992, suggesting that prospects for manufacturing employment remain dismal.

The Commerce Department said personal incomes stagnated in April, after rising for the previous four months. Consumers, however, dipped into savings and increased cash spending by 1 per cent relative to March.

Officials said the income figures were distorted by a fall in farm subsidies and by a rebound in rental incomes that had been depressed by winter storms in March. The underlying trend was for a gradual rise in personal incomes, but not at a rate to support rapid growth of consumer spending.

US purchasing managers' index



Source: Datastream

Unlikely coalition weakens Serrano hold on power

By Edward Orlebar in Guatemala City

SUPPORT for President Jorge Serrano of Guatemala appeared to be dwindling yesterday as he failed to clamp down on growing public opposition after snatching authoritarian powers last week.

The president's action has brought together an unlikely coalition aimed at forcing him to stand down. Some opposition groups have begun positioning themselves for events after his departure.

Mr Serrano has been dealt a severe blow by the president of the supreme electoral tribunal, Mr Arturo Herbruger, who rejected his request to call elections for a constituent assembly.

"Any electoral consultations must be realised under full guarantees. While the constitution is entirely or partially suspended, there cannot be elections," Mr Herbruger said. He is being talked of as a possible interim president, as is Mr Edmund Mulet, ambassador to Washington and a former chairman of Congress who was first among a number of ambassadors to resign in protest at Mr Serrano's move.

The influential private sector umbrella group Cacis, which has supported coups in Guatemala in the past, issued a statement calling on Mr Serrano to back down. The business community has become jittery about the possibility of losing trading benefits under the generalised system of preferences – a possibility raised by the US State Department – which could affect $200m (£129.8m) of exports.

A delegation from the Organisation of American States led by Mr João Baena Soares, secretary-general, met Mr Serrano on Sunday to urge him to reinstate the constitution. OAS foreign ministers are to meet in Washington tomorrow to discuss action against the government.

General José Domingo García Samayoa, minister of defence, who initially supported the move, failed to give explicit backing to Mr Serrano after senior military officers had met the president on Sunday. He said the army was concerned by the international condemnation of Guatemala.

On Monday, the afternoon daily newspaper La Hora circulated on the streets uncensored after the police had withdrawn their cordon around its offices. The morning daily Siglo XXI blackened its front page and left its national pages blank as a protest against government censorship.

A bomb went off at the newspaper's office yesterday, while another exploded at the offices of the weekly Crónico.

Ecuador expects IMF loan accord

By Raymond Colitt in Quito

ECUADOR is expected to secure soon a $200m (£129.8m) stand-by loan from the International Monetary Fund, a letter of intent having been signed last week.

The letter fixes the government's macro-economic objectives in a two-year adjustment plan and forecasts growth of 2.5-3 per cent this year.

The government has also pledged to reduce its fiscal deficit and to cut inflation to an annual 30 per cent from last year's 50 per cent.

The preliminary accord with the IMF comes after several failed attempts to renegotiate $6.5bn of commercial debt with creditor banks.

It is hoped the IMF deal will instil confidence among creditors and foreign investors who have been hesitant to take advantage of Ecuador's liberalisation of foreign investment regulations.

The government has pushed through Congress a law to regulate and revitalise the stock market. Tax incentives are offered to draw more companies to the market, while stricter regulations require companies to provide buyers with more financial information.

The adjustment plan has been criticised for its lack of social provision for the 50 per cent of Ecuador's population living in extreme poverty.

Fearing that modernisation will cost them their jobs, workers staged a two-day national general strike last week. Increases in electricity and telephone rates have also provoked widespread discontent.

George Mitchell: at forefront of coalition

Mark Hatfield: on crucial spending committee

Clinton under pressure not to resume nuclear testing

George Graham on a moratorium expiry

OPPONENTS of nuclear testing are preparing for a last-minute battle to win over President Bill Clinton as he nears a decision on whether to resume test explosions when a nine-month moratorium expires on July 1.

Senior US officials, backed by the UK government, have made a preliminary recommendation for a resumption of testing but President Clinton is under strong pressure from leading members of congress – both Republicans and Democrats – to extend the moratorium.

Under the terms of a law passed by congress last year, against the opposition of then President George Bush, the US may make up to 15 underground tests to improve the safety and reliability of nuclear weapons over the next three years.

Nuclear tests would be completely banned thereafter, unless another country conducts its own tests.

The administration has abandoned any thought of challenging the full ban from 1996 onwards, but the decision on whether to resume testing over the next three years appears to be more finely balanced.

While the US Department of Energy's nuclear weapons laboratories enthusiastically favour a resumption of tests – and the arms control and disarmament agency, an autonomous agency within the US government, argues keenly against – the Pentagon and the State Department are less forthright. The disagreements have already delayed any possible tests until much later this year, because the legislation requires the president to give congress 90 days' notice of his plans.

On the sidelines of the debate are the UK, which uses the US test site in Nevada and is therefore in effect bound by Mr Clinton's decision, and France, which started what has become almost a general moratorium by the nuclear powers but is eager to resume tests at Mururoa, in the South Pacific, to complete the modernisation of its nuclear arsenal.

Russia, which has not exploded a nuclear bomb since October 1990, is also watching; it would like to continue the moratorium but says it will align itself on the policy adopted by the other nuclear powers – although it no longer has access to the test site in Kazakhstan.

China has not signed the moratorium; it detonated a nuclear bomb estimated at one megaton last May, and is reported to be preparing another 150-kiloton test.

The Senate coalition against the resumption of testing is particularly muscular, being led by Senator George Mitchell, the Democratic majority leader, Senator James Exon, a senior Democrat from Nebraska, and Senator Mark Hatfield, top Republican on the crucial spending committee.

Test opponents have been encouraged by some of Mr Clinton's remarks to them in recent weeks, and are pressing for a full meeting to discuss the issue.

Those who advocate more tests say more work is needed on missile safety, particularly for the Trident II D-5 submarine-launched missile, which a commission headed by Professor Sidney Drell of Stanford University said posed a threat because its plutonium warhead core is surrounded by vulnerable high-explosive and propellant.

Test opponents say that to stop now could save perhaps $30m to $60m per test, and help Russian President Boris Yeltsin, who can ill-afford the cost, to fend off the demands of his own military-industrial establishment to resume testing.

What is most important, they argue, is that a resumption of nuclear testing by the big powers would undercut efforts to win support for renewal of the Nuclear Non-Proliferation Treaty, which is to expire in 1995, and could only encourage countries such as North Korea and Iran to move ahead in their attempts to acquire nuclear weapons technology.

"If we are testing when the NPT review conference meets, even if we are negotiating a comprehensive test ban, there would be a perception of cynicism by the superpowers," says Mr Jack Mendelsohn of the Arms Control Association, a Washington-based disarmament think tank.

If Mr Clinton does decide to go ahead with further tests, arms control advocates are urging, as a fallback position, that testing should at least be halted before the NPT review in 1995.

Libyans dash Israel hopes of recognition

By Roger Matthews, Middle East Editor

ISRAELI hopes of a breakthrough in relations with Libya ended abruptly yesterday when a group of pilgrims sent by the Tripoli regime demanded the liberation of Jerusalem and its recognition as the capital of Palestine.

The arrival of nearly 200 Libyans on Monday to visit Islamic sites had triggered speculation that it could lead to the recognition of Israel by Col Muammer Gadaffi, the Libyan leader. The group had travelled overland, via Egypt, having apparently been refused permission by Saudi Arabia to visit Mecca and Medina.

But yesterday, Mr Daw Tajouri, the leader of the Libyan group, declared at a news conference: "From here, we call on Moslems from all over the world to contribute to the liberation of Jerusalem, which must be the capital of the Palestinian state.

"Since the holy places in Mecca, Medina and Jerusalem are all occupied, there is no difference between going to Mecca or coming to Jerusalem. Indeed, it seems as though Jerusalem can be reached more easily," he said.

Mr Uzi Baram, Israel's minister of tourism, immediately announced that all official contact with the group had been terminated. Later, the Libyan delegation said they would be leaving today..

Arab east Jerusalem was occupied by Israel during the the 1967 Middle East war and subsequently annexed.

Earlier, Mr Shimon Peres, the foreign minister, had said Israel would offer a warm welcome to Col Gadaffi if he decided to become the second Arab leader, after the late President Anwar Sadat of Egypt, to visit Israel.

Foreign ministry officials said they believed that Col Gadaffi had sent the delegation primarily to persuade western nations to ease the sanctions imposed on Libya more than a year ago over its alleged role in the 1988 destruction of an airliner over Scotland.

A spokesman for the Palestine Liberation Organisation said Palestinians had been "shocked and dismayed" by the Libyan initiative. He added that the Libyan regime had been warned about the dangers of making such a gesture when Col Gadaffi first raised the issue more than a month ago.

Mogadishu residents scramble for slabs of meat thrown from the the back of a lorry by United Arab Emirates soldiers to mark a Moslem feast day on Monday. It is traditional on this holiday for *Moslems to give food and clothing to the less fortunate*

Tunisia refines battle against fundamentalists

The government continues its assault on Islam despite rising economic pressures, writes Mark Nicholson

TUNISIA's latest weapon in its uncompromising battle to expunge Islamic fundamentalism is a modern white-walled building on the fringe of a poor Tunis suburb, full of youthful teachers, social workers and psychologists, audio-visual equipment and colourful children's books.

It is called a Centre for Social Defence and Integration and will soon be one of eight spotted around Tunisia's more economically deprived areas. And for all its faintly Stalinist name, the Tunisian government hopes it will offer a flexible response to the sort of socio-economic problems which it believes give fundamentalists a political foothold.

"It will reinforce the government's fight against the fundamentalists," says Mrs Chedlya Ben Aleya, the centre's energetic director. "Fundamentalism is a form of fanaticism – it can manifest itself as crime, violence or belief in an extreme ideology. Children without direction risk becoming prey to this."

Tunisia's government believes the fundamentalists have been curtailed as a political force. In 1991, detecting what it considered a direct political threat from al-Nahda, the now outlawed Islamic group, the government rounded up 300 of its leaders and activists. The security clampdown raised severe criticism from Amnesty International and other human rights groups for what they considered its unnecessary harshness. They leveled claims of torture and unfair judicial procedure.

But the government, which keeps a fierce grip on political expression and press freedom, is unrepentant. Ministers point west to the incipient guerrilla war in Algeria between Islamic militants and the government as vindication. Under President Zine el-Abidine Ben Ali, who relieved Mr Habib Bourguiba, the ailing post-independence leader, of power in 1987, Tunisia has accelerated a programme of IMF and World Bank steered economic liberalisation. It hopes this will lift it to a near-European standard of living, and clear of the economic problems which its technocratic ministers believe to be the root cause of fundamentalism.

> 'Fundamentalism . . . can manifest itself as crime, violence or belief in an extreme ideology.'

But, while more import controls are dismantled, more prices freed and the previously dirigiste economy of the Bourguiba era opened increasingly to global competition, the government is also trying to pre-empt potential social problems. At the same time, it is honing and building upon its social policies of 35 years to contain the spread of renascent Islam. "In Algeria and Egypt social policies have been left to the fundamentalists," says one official. "That will not happen here."

In the first couple of months since opening, therefore, Mrs Ben Aleya and her small staff have begun seeking out children and their families in Douar Hichen, a poor satellite town 15km from Tunis, who have had run-ins with the law, dropped out of school or shown other signs of "delinquency".

The centre's young teachers are encouraged to compile lists of children considered at risk, go out and meet their families, then set up whatever classes or courses they think will help: drama, photography, elementary electrical know-how, whatever programmes their budget of TD160,000 (£106,200) for the year will permit. Attendance is purely voluntary, but children who have appeared before local magistrates are now being steered towards the centre. Already several hundred childern of all ages from the suburb pass through its doors every week.

"The government gave us the principle to attack these problems, but how we do it is up to us," says Mrs Ben Aleya. She says the idea for the centre came out of a governmental review of the country's last five-year development plan.

The Social Affairs Ministry is doing all it can elsewhere to identify social problems before they fester – and increase its grassroots intelligence on where, why and among whom these arise.

The test for Tunisia's government will be continuing this social assault in the face of rising economic pressures. Government spending on its increasing panoply of social programmes and benefits, which include social security payments and a guaranteed minimum wage, are due to rise by nearly a third between 1992 and 1996 to TD13bn from TD9.9bn over the preceding five years. But the government must also, under its structural reforms, further cut the budget deficit from the present 2.4 per cent of GDP to 1.2 per cent by 1996.

Perhaps more critically, the government must also retain Tunisia's competitive edge for inward investment in the face of competition from Morocco, Egypt, Turkey, the countries of eastern Europe and Asia.

To attain its target of average real GDP growth of 6 per cent to 1996, the government reckons it needs to treble present levels of annual inward investment to $200m or more. Although much of Tunisia's present appeal for investors lies in its proximity to the European market and its political stability, it still relies heavily on offering a low-wage economy.

For the present, Tunisia cannot afford to allow its social safety net to erode that advantage. But neither does the government feel it can stall its politically imperative social advances.

NEWS IN BRIEF

NZ budget deficit revised downwards

NEW Zealand faces a budget deficit of NZ$2.57bn ($1.4bn) in the year to June 30, some $NZ730m better than predicted on budget night last year, Ms Ruth Richardson, the minister of finance, announced yesterday, writes Terry Hall in Wellington.

This is the third revision of the forecasts. Last June Ms Richardson estimated that it would be NZ$3.3m, and in December she said it would be NZ$3.2m. However a series of monthly forecasts have been hinting at a lower budget deficit.

Ms Richardson said that the improvement was due to the country paying less on its foreign debt because of a fall in interest rates, and a rise in the value of the New Zealand dollar. Government departments had also constrained their spending.

Opposition spokesman on finance, Dr Michael Cullen, said Ms Richardson had had inflated the initial deficit estimate and progressively made it look better to impress voters.

Burundi goes to polls

Burundi joined Africa's march to democracy yesterday with voters going to the polls hoping to end years of murderous tribal rivalry and military rule, Reuter reports from Bujumura.

No violence was reported as balloting in the first ever multi-party election in the former Belgian colony got under way. Incumbent President Pierre Buyoya, who, like all Burundi's presidents since independence, took power in a military coup, is expected to win.

N Korea calls for US sincerity

North Korea yesterday urged the US to show seriousness and sincerity when the two countries open high-level talks on nuclear issues in New York today, Reuter reports from Tokyo.

North Korea is resisting international pressure to open for inspection two military sites suspected by the west of being nuclear weapons plants. Mr Kang Sok-ju, first vice-minister of foreign affairs, who heads the North Korean delegation said: "Both sides should show a serious and sincere approach to the negotiations on equal footing."

Pyongyang sparked widespread alarm in March when it announced it would pull out of the nuclear arms Non-Proliferation Treaty (NPT).

Manila mulls import levy

The Philippines is considering imposing a levy on imports and raising tariff duties on oil to cover huge shortfalls in government revenues caused by slow approval of new tax measures by Congress, Reuter reports from Manila.

Economic planning secretary Cielito Habito said officials have not decided which of the two will be imposed, but they are among the options being studied to keep the economy within its targeted 3.5 per cent growth this year. Government revenues fell 13.74bn (£343m) pesos short of its targeted 98.28bn pesos in the first four months of the year.

Chinese arrest three in Lhasa

Chinese police arrested at least three men in the Tibetan capital of Lhasa yesterday after they tried to stage a demonstration against Chinese rule over the Himalayan region, Western witnesses said, Reuter reports.

In the first open protest since last Friday, a group of up to 10 men brandishing Tibetan flags and shouting pro- independence slogans ran through crowds of pilgrims thronging Lhasa's Barkhor Square, the witnesses said by telephone.

The men managed to make one full circuit of the Jokhang Temple, one of the holiest sites in Tibetan Buddhism, before they were surrounded by uniformed and plain-clothes police.

Japan renews attack on US over yen rise

By Charles Leadbeater in Tokyo

THE Japanese government yesterday renewed its criticisms of US policy on trade and exchange rates as the yen rose to a record high of Y107 to the dollar in Tokyo.

Mr Yoshiro Hayashi, the finance minister, criticised the US for linking its aim to reduce the US trade deficit with an appreciation of the yen.

Mr Yoshiro Mori, the trade and industry minister, warned the US that yen's rise threatened to choke Japanese growth.

Their comments indicate the difficulties Japan has faced in co-ordinating international moves to stem the yen's advance.

The renewed friction over the rise also casts doubts on the substance of the communiqué issued after an April meeting of finance ministers from the Group of Seven (G7) industrialised countries which called for exchange rate stability.

The Japanese authorities are keen to deflect criticism from exporters hit by the yen's rise by blaming the Clinton administration for talking up the yen.

The US dollar has lost about 3 per cent of its value against the yen in the last week in the wake of a US treasury department report which suggested a yen appreciation might reduce the Japanese trade surplus.

> Tokyo is facing difficulties in co-ordinating moves to stem the currency's advance

The government has been powerless to stem the yen's rise from about Y125 at the turn of the year despite repeated interventions by the Bank of Japan.

It is thought the Bank of Japan has bought more than $10bn in the foreign exchange market since April in an attempt to cap the yen. Japan's foreign reserves increased by $2.53bn in May from the month before to $79.46bn, according to finance ministry figures published yesterday.

The economic planning agency warned that the yen's rise might stall the timid economic recovery expected in the late autumn on the basis of the official index of leading indicators.

The March index stood at 79.2 per cent, the third consecutive month in which it has been above 50 per cent. Readings above 50 per cent are taken as a leading indicator of growth between three and six months ahead.

EPA officials warned the recent rise in the index might be because of a temporary surge in business activity before the end of the 1992 financial year.

● Automobile sales in May were 12.9 per cent down on the same month last year. It was the second consecutive fall after a 1.7 per cent rise in sales in March had promoted optimism that a sales recovery was starting.

Japanese flags and bouquets of red roses decorate Ginza's main street in Tokyo yesterday to celebrate the royal wedding on June 9 of Crown Prince Naruhito and Masako Owada

Corporate axe starts to swing at those at the top

By Michiyo Nakamoto in Tokyo

JAPAN'S economic downturn has made the country's tradition of lifetime employment less reliable for the average salaried worker.

Figures released yesterday, however, suggest that Japanese company presidents have not been shielded from the swing of the corporate axe either.

A record 242 Japanese companies listed on the Tokyo stock exchange have replaced their presidents since January, according to the Wako Research Institute of Economics.

The figure exceeds the previous record of 238 companies for the whole of 1989. Wako expects this year's total to reach about 270.

Among prominent changes at the top were the resignation of Mr Akio Tanii, former president of Matsushita, the electronics group.

Mr Tanii stepped down in February to take responsibility for a subsidiary's involvement in a financial scandal and for the sale of defective refrigerators by another subsidiary.

More recently, Mr Kuniyoshi Kosuge was forced to resign as president of Isetan, a leading department store chain, ending rule by the founding family.

Although Mr Kosuge was a member of the family, his management attracted much internal criticism while Isetan has had difficulty improving its profits performance.

The reasons behind the large number of resignations include old age, the need to find a scapegoat for a company's poor results or for involvement in a scandal, and to make it easier to introduce changes needed to return to profitability, Wako said.

At the same time, Japanese companies have tended to replace presidents in odd-numbered years, Wako added. The tendency stems from the two-year tenure for executives which is common in Japan.

Among those which replaced their presidents, 48 per cent of companies chose a new one from within the company while 42 per cent found someone from outside, in many cases from a company within the same *keiretsu*, or corporate grouping.

Often the replacement is not voluntary. Yamatane Securities, for example, was obliged to accept a new president from Sakura Bank, which was supporting it through a major restructuring.

Australia and US locked in dogfight over airlines

By Kevin Brown

AUSTRALIA and the US yesterday became locked in a dispute over aviation rights.

Canberra ordered Northwest Airlines to cancel its three weekly services from New York to Sydney via Osaka and the US government retaliated by cancelling three of 10 weekly Qantas flights from Sydney to Los Angeles. The *cancellations take effect from* the end of the month.

The Australian action follows a long-standing dispute over the number of passengers carried by Northwest on the *Osaka to* Sydney leg, which Canberra claims is subject to Australian regulation.

Senator Bob Collins, transport minister, said Northwest would be allowed to reinstate two flights a week if it accepted Australian instructions to limit the number of Japanese passengers to 50 per cent of each flight's capacity.

He said the government had acted in response to Northwest's "sustained violation" of an order issued last December to abide by the terms of an agreement negotiated in 1991.

Senator Collins said it was "legitimate for Australia to pursue its rights and to protect its national interests. It is doing no more than the US would do in similar circumstances."

Australia is concerned that Northwest's flights are having an adverse impact on Australian and Japanese airlines, which dominate the lucrative routes between Sydney and Japan.

Northwest said it was "disappointed" by the Australian decision, which it described as "unilateral, unlawful and unjust." The airline said it would seek to expedite a federal court action contesting the December order.

Northwest claims that the 1991 agreement is invalid because it was signed under duress three days before services from Osaka were due to start. The airline has the support of the US transportation department. The US embassy in Canberra said Washington hoped to resolve the dispute through negotiation.

Economic slowdown pushes currency to record low

By Kevin Brown in Sydney

THE Australian dollar fell to a record low of 49.1 on the Reserve Bank's trade weighted index (TWI) yesterday after government figures showed that economic growth has stagnated at the lower end of official forecasts.

The statistics bureau said that the average measure of gross domestic product grew by 0.5 per cent in the March quarter, following revised growth of one per cent in the three months to December. The figures indicate that the Australian economy is growing at an annual rate of 2.5 per cent, the lower end of the government's 2.5-3 per cent target.

Mr Paul Keating, the prime minister, had earlier forecast 4 per cent growth.

Confirmation of the moderate rate of growth fuelled unease in financial markets following the release on Monday of a worse than expected current account deficit for April. The Australian dollar closed at 67.45 US cents in Sydney from 67.68 cents on Monday, when it fell 1.5 cents in response to the poor current account figures and at Y71.97 against the yen from Y72.38.

On the TWI, the dollar fell from 49.4 on Monday to 49.1, below the previous low of 49.3 recorded in 1986 after Mr Keating, the then treasurer, warned that Australia faced a "banana republic" debt crisis.

The poor economic indicators suggest that the government will face serious constraints in fulfilling election promises to achieve a significant reduction in unemployment, currently 10.7 per cent. Standard and Poor's, the international credit rating agency, said Australia's current account deficit was "a major concern", and warned that faster economic growth would cause "inevitable balance of payments pressures".

The agency said the current account deficit reinforced concerns about the impact of the government's growing budget deficit on demand for imports. The budget deficit is forecast at A$16bn (£7.23bn) this year and A$18bn in 1993/94, compared with A$12bn last year.

Moment of truth in Phnom Penh

UN is resisting losers' call for poll rerun, says **Victor Mallet**

CAMBODIAN ELECTIONS

THE communist Cambodian government, *trailing the* royalist opposition in preliminary results from the UN-organised elec*tion last* week, has insisted polling be held again in at least four provinces, and has threatened to reject the results if its demands are not met.

Officials of the ruling Cambodian People's Party (CPP) have produced several unsubstantiated reports of electoral "irregularities" and issued veiled warnings to the UN Transitional Authority in Cambodia (Untac) that the government might resort to violence to press its demands.

"We get many indications that there might be some insurrection or riot, and we fear that the situation might get out of control," Mr Khieu Kanharith, the government spokesman, told a news conference yesterday.

In a meeting with diplomats from countries which supported the 1991 Paris peace accords and the election, other government officials said they might not be able to restrain army officers from acting without authority.

The government wants new elections in Phnom Penh, Battambang, Kompong Chhnang and Prey Veng.

Untac, although disturbed by the government's threats, said it had no plans to hold the elections again without proof that there had been irregularities. The UN has increased security at Untac's popular radio station, accused of bias by the government, and installed heavy machine guns.

"I don't believe that the predictions of unrest have any basis," said Mr Yasushi Akashi, who heads Untac's $2bn mission to bring peace and democracy to Cambodia. "I hope the result of the elections will be respected."

With about two thirds of the votes counted, the royalist party Funcinpec looks set to win more seats than the CPP in the new 120-seat assembly, which is supposed to write a new constitution within three months and then give birth to a new government.

Trying to maintain stability during the coming months, Untac is seeking an unspecified sum of international financial aid to pay the government's 200,000 or so soldiers, policemen and militiamen, and to keep the rest of the administration ticking over.

Government revenues have *plunged in recent weeks* because of corruption at customs posts and because Chinese traders, reluctant to keep high levels of stock in Cambodia, have cut imports.

The government is dismayed by the imminent loss of its monopoly of power and evidently confused about how to react, prompting speculation that the ruling CPP is divided on the issue.

> The government is dismayed and confused by the imminent loss of its monopoly of power

"I think they are having some internal difficulties to convince these people to accept these elections," said Mr Akashi. "It may not be easy."

Early results from Kompong Cham, showing nearly a two-to-one lead in favour of Funcinpec, are a particularly hard blow for the government. The province accounts for 18 of the 120 assembly seats and is the home of Mr Hun Sen, the prime minister; his brother is the provincial governor.

Official spokesmen yesterday veered between threatening to reject the results completely and suggesting that objections are technical ones which could be resolved with Untac.

Options for the government are limited. Denied international recognition since it was installed by the Vietnamese invasion which overthrew the Khmer Rouge in 1979, the CPP is unwilling to undergo a further 14 years of isolation.

It is doubtful CPP leaders could mobilise genuine public demonstrations in Phnom Penh, where again the vote was two-to-one in favour of Funcinpec. The claims of irregularities and fraud are unconvincing. Also, army loyalty cannot be guaranteed because many soldiers are paid late.

Funcinpec, meanwhile, continues to complain of government attacks on its members. According to Funcinpec officials, a 57-year-old woman member of the party and her son were murdered in Prey Veng province at the weekend.

Sharif offers an olive branch to the opposition

By Farhan Bokhari in Islamabad

MR Nawaz Sharif, the Pakistani prime minister, restored to power by the Supreme court last Wednesday, has intensified his efforts to establish political peace.

Mr Sharif began a new campaign this week when he extended an olive branch to Ms Benazir Bhutto, the opposition leader, offering to end all past rivalries. Such a gesture was inconceivable even three months ago in view of their intense, bitter and acrimonious rivalry.

In a speech to a special session of parliament, Mr Sharif turned to Ms Bhutto and said, "let us sit across the table to discuss the issues facing the country and *to end* confrontation between the government and the opposition."

While indirectly accusing Mr Ghulam Ishaq Khan, the President who sacked his government, for encouraging government-opposition rifts, Mr Sharif immediately set up a three member ministerial committee to hold discussions with *opposition* leaders.

In response Ms Bhutto said, "I have nothing personally against you, and if you want to remove this tension and acrimony I fully support you." She is expected to demand fresh elections, withdrawal of court cases against herself and other opposition leaders, and assurances that her supporters will not be victimised.

The latest offer from the government is seen as an important sign of flexibility in the Sharif camp, which could lay the foundation for a more tolerant political environment.

But Mr Sharif remains under pressure after two of the four provincial assemblies have been dissolved since last Friday, widely seen as a move from the president's camp to intensify pressure on Mr Sharif's federal government.

Despite Mr Sharif's latest gesture to the opposition, it is also not clear if his latest efforts to establish a government-opposition working relationship will in fact be successful. That is especially so, because the opposition's demand for fresh elections is unlikely to be accepted by the Sharif camp.

Some officials expect a final compromise to emerge on the basis of ministerial slots being given to members of Ms Benazir Bhutto's PDA (People's Democratic Alliance), in the federal government as well as the Southern province of Sindh.

However, the end result of the government-opposition negotiations could be different from expectations before discussions actually begin.

Mr Sharif's latest political troubles have become more complex due to the country's economic problems. Pakistan's annual budget which is likely to be announced within the next two weeks, is widely expected to close the current fiscal year with one of the largest deficits in the country's history.

The political uncertainty has only made it more difficult for the government *to introduce* new revenue raising measures such as increase in gas and electricity tariffs, fearing public unrest, senior officials say.

Delay looms on S African poll announcement

By Patti Waldmeir in Johannesburg

THE process of negotiating a post-apartheid constitution for South Africa appeared bogged down yesterday after democracy negotiators took steps to delay the announcement of a date for multiracial elections.

The date, expected to have been set this week, is now not likely to be announced until the end of this month. This could provoke mass protest action from radical youth leaders who insisted that a date be set by June 3. However, fears of the violent consequences of mass action might yet prompt negotiators to move more quickly to announce a date.

Mr Nelson Mandela said he still expected elections to take place by next April. He is due to meet President F W de Klerk later today after a weekend row when Mr Mandela's African National Congress rejected the new board of governors appointed by Mr De Klerk for the state-owned South African Broadcasting Corporation.

The chairman-designate of the board, Prof Frederick van Zyl Slabbert, said he would not serve and other board members were expected to follow suit after the ANC rejected the board on the basis that President De Klerk had compromised its independence.

Constitutional talks risked being further delayed by another dispute between the government and the Pan Africanist Congress, after talks between the two sides reached deadlock yesterday. The government is insisting that the PAC suspend its armed struggle as a condition for participating in democracy talks; the PAC has refused.

Negotiators yesterday agreed to postpone until June 25 a meeting of the 208-member Negotiating Forum scheduled for Thursday, when it had been expected to set a date for the poll. The postponement reflects the large gap which remains between the 26 parties at the talks over issues such as the form of a future state, constitutional principles and the key problem of political violence.

The ANC's youth leader, Mr Peter Mokaba, had threatened that black youngsters would make the country ungovernable unless an election date was set by Thursday. Mr Carl Niehaus, ANC spokesman, said if the deadline was not met, South Africa could expect further mass action.

The rush through China's most open door

Simon Holberton on the headiness and the headaches of an investor-friendly boomtown in south China

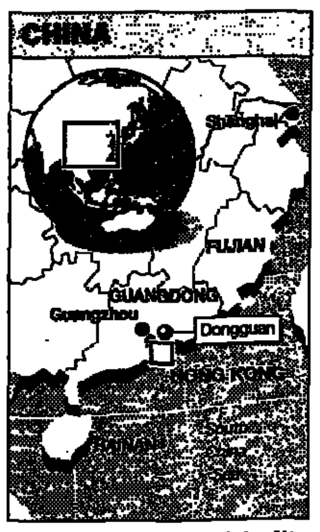
IF THERE is one place in the province of Guangdong that symbolises both the successes and pitfalls of China's *new economic policies it is* Dongguan, a city of nearly 1.4m people on the western reaches of the Pearl River estuary between Hong Kong to the south and Guangzhou to the north.

In many respects Dongguan is a shining example of Deng Xiaoping's "opening to the outside world". There are more than 10,000 companies in the city that depend on foreign capital for their existence, or are partly or fully foreign-owned.

Since the watershed year *1978, when China turned its* back on autarky and embraced "socialism with Chinese characteristics", foreigners have invested nearly US$1.5bn (£1bn) in textiles, consumer electronics, food products and much else in Dongguan.

Over the past 14 years the city has achieved an annual average rate of growth of 20 per cent – outstripping the provincial and national averages comfortably.

As Mr Yang Xiaotang, a foreign investment official with



the Dongguan municipality says: "The economic growth of Dongguan has been mainly due to foreign investment; without it, we would not have grown."

Dongguan set out to be a business-friendly location for foreign investors from the beginning, and to tap the far-flung Chinese diaspora. What is fortunate for Dongguan is that it is not that far flung.

Of the estimated 850,000 overseas Chinese who can trace their ancestral homes to one of the 29 towns and 582 administrative districts of the city, some 650,000 live in Hong Kong or Macao. Collectively they have been responsible for about 80 per cent of "foreign" investment in the city.

Investors have brought to Dongguan capital and exper*tise and they have gravitated* to the once rural city and environs because of a particularly enlightened Communist Party leadership. Under the rubric of "honouring contracts and keeping promises" it has convinced some foreign investors, whose first experience of investing in China may have been anything but positive, that business success can be achieved on the mainland.

One example is Vtech, a London-listed but Hong Kong-managed consumer electronics, computers and mobile telephone manufacturer. *It first* invested in Shenzhen, in the early 1980s but found that the local Communist party and government apparatus wanted too much control over the factory. It moved a few miles north to Dongguan and today, after a cumulative investment of HK$700m (£59m), employs 8,000 permanent workers.

> China's inflation is being fuelled by sharp rises in the costs of production, which will eventually be *reflected* in sharply higher consumer prices, an official newspaper said, Reuter reports from Beijing. "The rises in the price for industrial products is too *fierce ...," the China Com*merce News said. It said the sharp price rises were driven by the unprecedented increase in investment in fixed assets, which rose a year-on-year 70.7 per cent in the first quarter. "There is an acute demand for production materials and prices for industrial products are going upwards."

"We told them that we wanted to run the factory ourselves and we wanted to do the administration," says Mr *Joseph Tam, the Hong Kong* manager. "They agreed. We are also free to recruit any person we like and fire them if they do not meet our requirements."

The local government receives a steady income from Vtech. In addition to a HK$30 a worker monthly fee it receives the hard currency – a percentage of which it shares with the central government – associated with Vtech's exports which amounted to nearly Yn3bn (£337m).

This access to hard currency has allowed the city to develop some of the best roads in China and an advanced telecommunications systems. In *spite of a big effort to develop* the local electric power industry, power shortages are a frequent occurrence, especially for households, and most companies and small businesses have their own standby power generation facilities.

Although Dongguan has been successful in its supply side reforms, it is a prisoner of the lack of macro-economic policy coherence in China.

In Dongguan, as elsewhere in the Pearl River delta, rapid industrialisation, speculative property investment, tight labour markets and the gradual relaxation of exchange controls for the yuan are unleashing destabilising inflationary forces and it is far from clear if the Chinese authorities have the means to control it.

According to Mr Marc Dreyer, general manager of Nestlé Dongguan, a joint venture manufacturing instant coffee and powdered whitener for the domestic Chinese market, pay and employment is the biggest issue facing managers.

"You have to reassess pay levels regularly," he says. "It is the biggest issue facing managers of joint ventures in China and you have to do it without *any real reference points."*

Mr Tam of Vtech, however, has a most unwelcome reference point. Across the road from Vtech's factory is a new installation assembling colour television sets.

Recently it posted a sign offering any Vtech employee a promotion and 20 per cent more than they were earning. In March this year Vtech increased wages 20 per cent and, says Mr Tam, it expects to have to increase wages by a further 20 per cent soon.

"If we don't increase wages *they will all cross the road,"* says Mr Tam.

Some investors are having to pay their employees in Hong Kong dollars to retain them. One businessman brings the cash with him in a suitcase. It is risky, he concedes, but his workforce has lost confidence in the yuan.

Bankruptcy fears among MPs at Lloyd's denied

By Richard Lapper and Alison Smith

REPORTS that MPs in the ruling Conservative party may be forced into bankruptcy by their losses at Lloyd's, the international insurance market, were described as "completely misleading", by Mrs Mary Archer, who chairs the insurance market's hardship committee.

The committee provides financial help to hard-hit Names – individuals whose capital supports the insurance market.

"Lloyd's does not bankrupt members who admit their liabilities and agree to pay what they can afford over time," said Mrs Archer, the academic and wife of Lord Archer, the leading Conservative politician.

Lloyds yesterday accepted that names could become bankrupt as a result of losses from other business ventures.

But some Conservative MPs who have lost money at Lloyd's, the London-based market, could decide to leave the House of Commons in order to pursue more lucrative careers outside politics, according to Sir Richard Body, a long standing Conservative MP and Lloyd's Name.

Hardship arrangements allow Names to retain an income of between £10,000 and £15,000 per year. Lloyd's takes a charge over any property, but the Name is allowed to continue living in a "modest" property – typically worth up to £150,000.

An MP loses his seat only if a court judges him bankrupt, and that adjudication is not annulled after six months.

The Times newspaper yesterday reported that 47 Conservative MPs were members of the Lloyd's in 1990, the market's latest year of account for which Lloyd's expects to post record losses of between £2.5bn and £2.8bn in June. Average losses for each of the 28.770 Names trading in 1990 are likely to exceed £100,000 each.

The Lloyd's "Blue Book", which contains details of Names' syndicate participations, shows that only a handful of the MPs were members of the hardest hit syndicates.

Mr Paul Marland, a Tory MP whose Lloyd's losses have been well publicised, is a member of the disastrous Gooda Walker syndicates 290, 298 and 299, which have specialised in catastrophe reinsurance and have suffered some of the heaviest losses at Lloyd's.

Several Conservative MPs are set to make lower than average losses. The Lloyd's affairs of seven MPs are handled by the Roberts & Hiscox agency which is forecasting average losses for its Names of only 7 per cent of capacity (the amount of premiums a Name can accept), way below the market average.

It is understood that about 90 of the 33,000 Names trading at Lloyd's in the late 1980s have become bankrupt, mainly through choice. By contrast 2,000 Names have applied for help to the hardship committee, which has made offers to 160 Names.

Meanwhile, both Lloyd's and Tory MPs said there was no question of any preferential treatment for MPs facing losses, and that there was no realistic prospect of extra help for Names unless it was brought forward by the government.

The government made it clear, yesterday, that even though the existing finance bill which is the subject of detailed discussion by MPs contains the Lloyd's provision announced in the budget, allowing Lloyd's Names to set aside tax free reserves against losses incurred on future trading, ministers do not intend to amend the legislation to provide help for Names in difficulties.

BBC and Reuters to target Latin America

By Raymond Snoddy

BBC WORLD Service Television and Reuters, the international news and information group, is planning to launch a 24-hours a day satellite TV news service aimed at Latin America, Spain and the Hispanic population of the US.

The two groups said yesterday they were in negotiations with the Telemundo Group, the Spanish-language television network which operates in the US.

The aim is to launch the new Spanish language service later this year. It would be beamed from Miami by satellite to cable networks and broadcast stations throughout the Americas.

For BBC World Service Television a deal will mark a further stage in its strategy of taking the service round the globe. It is already available throughout Asia, in Africa and Europe and plans are well advanced to launch in Japan.

Reuters has also been increasing its interests in television.

The new service would have two major sources of news to draw on. London-based Reuters Television – known as Visnews – would provide its international news-gathering resources. BBC World Service Television would contribute international news and programmes specially made for Spanish-speaking audiences in association with the BBC's Latin American Service.

Mr Joaquin Blaya, president of Telemundo said yesterday in New York that the formation of the service would be "a milestone in Spanish-language programming which would revolutionise Latin America from an information point of view".

If, as expected, the channel goes ahead it will increase the growing international rivalry between BBC World Service Television and Mr Ted Turner's Cable News Network.

In Asia, for example, BBC World Services Television is estimated to be in more than 11m homes 18 months after its launch.

Oil unions fear terminal decline in the industry

Robert Taylor examines claims that companies are colluding to end union recognition in the sector

THE MAJORITY of workers in the British oil industry are no longer covered by collective agreements negotiated by trade unions. Oil companies are imposing sweeping changes in working practices through individual contracts.

Shell's decision to scrap collective bargaining at its Haven refinery on the Thames estuary next month is a further step towards what Mr Fred Higgs, Transport and General Workers union negotiator, calls a "collusive employer attack" designed to transform the British oil industry into a "union-free environment".

But the leading companies – Shell, Esso, BP and Mobil – deny any such co-ordination. They point out that the policy to unions differs between different parts of their business from offshore work and refining to distribution.

A number of comprehensive restructuring deals have been introduced in the oil industry since 1989. Many involve the ending of trade union recognition. These include:

- Process operators and craftsmen at BP Chemicals' Baglan Bay site moved to individual contracts of employment from March 1 last year, coupled with the harmonising of conditions with clerical staff, the introduction of multi-skilled production teams and derecognition of unions for collective bargaining.
- BP terminal workers are no longer represented by unions for collective bargaining. The company said it continued to work in harmony with them in its distribution business and refining operation at Grangemouth. There are collective agreements at its Sullom Voe terminal in Shetland, but not in its offshore operations.
- Shell tanker drivers were put on staff status contracts and collective bargaining with the TGWU ended last July. Workers can still be represented by a union official in hearings.
- Craftsmen at Shell Oil's Stanlow plant have lost union recognition but workers belonging to the TGWU are still covered by collective agreements as the union agreed to sweeping working practice reforms. At Haven, all unions face derecognition except for individual grievances.
- In September 1991 Esso moved its tanker drivers to individual contracts of employment and staff status and the TGWU was derecognised.

Merit-based pay replaced negotiated wages, taking average earnings to about £32,000 a year.

- Maintenance workers at Mobil's Coryton refinery in Essex moved to staff status last August, with the end of collective bargaining. The unions retained individual representation rights on disciplinary issues.

In mid-1994, at the end of the current two-year collective deal, 300 operators at Coryton will move to individual contracts of employment. Unions will continue to represent them on non-pay issues.

The 320 workers at its Mobil's Birkenhead operations covered by two collective agreements will continue to have union bargaining. Mobil said: "We vary our approach between business operations to suit our needs." There is no hard and fast attitude to collective agreements.

The drive against union recognition in oil stems from adverse market pressures caused by overcapacity and low oil prices. The companies believe they must reduce costs to become more competitive with the best in Europe.

This has meant drastic changes in working practices with the abolition of demarcation lines and the introduction of multi-skilling and teamwork. It has also meant individualised performance-related pay systems, and the introduction of contract labour.

Out on a limb: oil workers are under pressure to sign individual contracts of employment

Increasingly, the oil companies see no reason to bargain collectively with trade unions. But Mr Alan Mitchell of Incomes Data Services said total derecognition remained rare.

He said: "Unions continue to retain a representational role in areas like health and safety or dealing with the problems of individual workers who remain union members in disciplinary and grievance disputes."

The changes have so far brought little resistance from the trade unions because members have been unwilling to endanger jobs by fighting derecognition. The pay and conditions of most oil workers is substantial in spite of the end of collective bargaining.

Oil is not a cheap labour industry, nor will it become so.

Providing a service for the individual oil worker may provide a new role for the unions, but this will leave them limited and marginalised. And a growing number of union officials fear the drive to derecognition in oil could encourage employers in other industries to follow suit.

House prices show signs of revival

By Andrew Taylor, Construction Correspondent

HOUSE PRICES in the UK rose by 1 per cent in May, the third consecutive monthly increase, according to Nationwide, Britain's second biggest home loans and savings institution.

The lender's monthly price index, published yesterday, provides the firmest evidence so far that the revival in house sales is starting to spill over into price rises.

Mr Brian Davis, Nationwide's operations director said: "House prices have now risen in four out of the first five months of 1993, reflecting increased activity in the housing market."

The average price of a home acquired with a Nationwide loan has risen by 1.9 per cent since the beginning of this year, from £51,862 to £52,866.

In spite of the improvement, the average price of a home last month was still 5.5 per cent lower than during May last year, according to Nationwide. House prices collapsed last summer and autumn when the pound came under severe pressure and the decision was taken to remove sterling from the exchange rate mechanism of the European Monetary System.

Sales figures for 15 of the country's largest housebuilders, meanwhile, show that offers to buy new homes rose by 29 per cent during the first 20 weeks of this year.

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House prices show signs of revival

By Andrew Taylor, Construction Correspondent

Public relations battle over famous football club

Sugar insists Spurs shares not for sale

By John Mason, Law Courts Correspondent

MR ALAN SUGAR, the chairman of London's Tottenham Hotspur football club, yesterday insisted that he will not sell his 48 per cent stake in the famous club to Mr Terry Venables, the chief executive he is trying to sack, or to anyone else.

Mr Sugar, intensifying the public relations battle running parallel to the current legal proceedings between the two men, also stated he would not be beaten into submission by "intimidating" tactics of the media and demonstrators.

In a letter to staff at the club's north London ground at White Hart Lane, later released to the press, Mr Sugar said he had no intention whatsoever of selling his shares.

"You can be sure that I will most strenuously object to any such suggestion no matter how long or how far up the legal ladder it goes."

Mr Venables's camp claims it has three backers willing to help him buy out Mr Sugar's 48 per cent stake and mount a full bid for the club.

Alan Sugar: 'I will not give in'

In his letter Mr Sugar also accused the press of creating a "Sugar/Venables war". He continued: "It is rumoured that this is a strategy to wear me down personally so that I will simply turn round and say 'What the hell am I involved in all this aggravation for' and walk away.

"No matter how intimidating the press comments are about me or how intimidating the demonstrations are such as that outside the court the other day, or how intimidating any such demonstrations outside my house may be, I will not wane and give in to these types of tactics."

The two men will make their next High Court appearance next Tuesday when Mr Sugar attempts to have lifted the injunction preventing the dismissal of Mr Venables.

This Thursday, however, they are both set to appear on the same public platform at a press conference to launch the Makita International Soccer Tournament, a close season contest.

Tottenham Hotspur, which was founded in 1882, is one of the English league's most successful and glamorous clubs. The club has won the Division One Championship twice, in 1950-51, and 1960-61. The club's record in the FA Cup, the leading knock-out competition, is outstanding having won eight times since 1901 when they won as amateurs. They have won the European Cup Winners Cup once and the UEFA Cup twice.

UK training condemned by CBI chief

By Lisa Wood, Labour Staff

THE UK's record on training is "one of the worst in the developed world," Mr Howard Davies, director-general of the Confederation of British Industry, said yesterday.

Mr Davies said this was not because of a lack of funding, but because neither the government nor industry made the best use of resources.

The CBI director-general claimed the percentage of the German workforce with vocational qualifications at the craft level was 56 per cent, compared with 20 per cent in the UK; only 45 per cent of British supervisors had any formal qualifications compared with 93 per cent in Germany.

Delivering the first in a series of lectures organised by the London School of Economics, he called for Britain's training system to become more market-orientated.

The CBI favours linking the funding of all post-16 training and education to individual trainees which it believes would create a more flexible system, forcing providers to be more accountable to their customers.

City art: a passer-by examines an elephant sculpture made out of TV sets and household gadgets, unveiled in Broadgate yesterday as part of an exhibition at 16 sites around the financial quarter

Britain in brief

Lawson says ERM failure was Major's

Britain's failure to stay in the *European exchange rate mechanism* was in large part due to poor preparation by Mr John Major, then chancellor of the exchequer, prior to entry in October 1990, according to Lord Lawson, the former Tory chancellor.

In the London Business School's International Financial Outlook he says that the UK joined the ERM at too high a rate. He also criticises the government for inadequately agreeing terms of entry with the Bundesbank beforehand.

"Sterling joined at a rate which the Bundesbank regarded from the outset as *too high and which it therefore* felt no great moral obligation to support – a fact that was later to become all too apparent to the financial markets," he says.

Output upturn, says survey

Manufacturing output expanded for the fourth month in succession in May, the latest monthly survey of UK purchasing managers shows.

The Chartered Institute of Purchasing and Supply said its *Purchasing Managers' Index* recorded a level of 53 per cent in May. Although this was less than in April, it remained above the 50 per cent level, implying that manufacturing output is still expanding. The index is based on a weighted average of movements of several components such as new orders.

Satellite dish sales increase

Satellite dish ownership increased by 52,000 between February and March to a total of 2.15m according to the latest figures from GfK, the market research group.

The monthly study, commissioned by the ITV Association, estimates that between June and December there was an increase of some 290,000 subscribers to the pay channels of British Sky Broadcasting.

Air pollution worsens slightly

Air pollution has been worsening recently, although levels are generally better than a decade ago, according to the *Department of the Environment's* 15th annual digest of environmental statistics.

The UK's emissions of carbon dioxide were 3 per cent higher in 1991 than in 1990, although they have fallen by a fifth in the past decade. The recent rise could however jeopardise Britain's ability to meet international targets on global warming, environmentalists fear.

200,000 under new job deals

Around 200,000 workers are now covered by single table collective bargaining agreements where manual and clerical employees negotiate jointly with management, according to a study reported in Labour Research magazine.

An estimated 60 companies have such deals, twice the number of three years ago. The most prominent recent single table deals have been done at British Steel, the Rover and Vauxhall car companies as many as 43 out of the 65 new National Health Service trust agreements and nine of the privatised water *companies*.

Bank charges face criticism

An inquiry into the system of charges operated by the high street clearing banks was demanded by Mr Gordon Brown, Labour's chief finance spokesman, who called charges for unauthorised overdrafts "little short of usurious".

He warned Mr Kenneth Clarke, the chancellor of the exchequer, that millions of consumers would be shocked at the levels of charges, and would expect him to protect customers from them.

Divers return with news from the wreck of BCCI

Andrew Jack reviews the liquidators' sources for cautious optimism

CREDITORS WERE last week offered a faint glimmer of hope for repayments from the collapsed Bank of Credit and Commerce International, closed by regulators in July 1991.

At an angry creditors' meeting, Mr Christopher Morris, a partner with accountants Touche Ross and one of the liquidators to BCCI under English law, offered the prospect of a dividend some time next year.

Any creditors to subsidiaries to BCCI SA, BCCI Overseas and BCCI Holdings will be able to benefit from the Touche Ross proposals under a "pooling agreement". Some jurisdictions – including the US – may not take part, but will ringfence the assets of the bank in that country and reimburse *creditors directly from it.*

Mr Morris said creditors could expect to receive 15p in the pound next year if the liquidators' proposals were successfully endorsed. He stuck to a "conservative" estimate of a total dividend of 30p to 40p in the pound "some years" in the future. Several obstacles still need to be overcome and additional assets to be recovered.

Any dividend will come from four principal sources:

● Contributions from the majority shareholder. The liquidators have negotiated an agreement with the government of Abu Dhabi, which owns 77 per cent of BCCI. That could lead to payments of between \$1.2bn and \$2.2bn, *permitting a dividend next year.* Much of this money could already have been released but is dependent on ratification by the Luxembourg courts following an objection by three BCCI creditors.

They want a larger contribution or the right to sue Abu Dhabi – which would be sacrificed under the agreement. The court is reconvening in a few weeks to consider the matter further.

● Asset recoveries from BCCI. The liquidators have so far realised just 4.5 per cent of the stated \$14bn in assets of the bank in July 1991. They are continuing to maintain some loans made by the bank, and estimate they will be able to *realise a further 6.7 per cent.*

They are still charging commercial rates on outstanding loans but are not applying bank charges against depositors. Interest will be paid until the date BCCI passed into liquidation, January 3 1992.

● Legal action. Writs have been issued in London for more than \$8bn by the liquidators against Price Waterhouse and Ernst & Whinney – now part of Ernst & Young – as auditors to BCCI, and for \$10.5bn in the US against the National Commercial Bank of Saudi Arabia and Sheikh Khalid bin Mahfouz, its former chief operating officer.

Last week the liquidators also issued a writ against the *Bank of England on behalf of* depositors for allegedly failing in its role as regulator. There may be other writs to come.

● Investigations. Teams are still tracing sums of money removed from the bank over many years into a network of offshore trusts and bank accounts. The recoveries will probably be small. Much of the outstanding money shown in BCCI's books appears to have been squandered through bad loans or was falsely reported and never existed.

In addition, some creditors have already been able to take advantage of deposit protection schemes in their own jurisdictions – such as the English creditors, who are offered 75 per cent of the value of their deposits up to £15,000.

But that presents some problems. *Those who used the* equivalent scheme in the Isle of Man, for instance, have handed all their powers to the island's financial supervision commission. This makes it difficult for them to sue the commission if they decide it failed as a regulator.

More generally, creditors will be keeping an eye on the results later this month of the ballot to choose five from the 23 candidates to sit on the formal BCCI creditors' committee. This group will oversee the work of the liquidators and advise them on future actions – including further writs – while monitoring the fees, which so far run to more than \$133m (£85m).


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MANAGEMENT

Christopher Lorenz on a dramatic reshaping at Reuters

Restoring order from chaos

JOHN Parcell claims gleefully that he and Geoffrey Sanderson "still know nothing about the theory of business process re-engineering". Yet both are arch-practitioners of the genre: they are two-and-a-half years into a dramatic re-engineering exercise which has salvaged their company.

In October 1990 they were appointed by top management at Reuters, the supplier of on-line information to financial services and media organisations, to rescue its core UK activities.

To put no finer point on it, the boom of the 1980s, caused especially by financial deregulation, had landed the UK operation in chaos – to an extent which until now has not been realised beyond the company and its main customers.

In Parcell's words: "By the late 1980s it had acquired a reputation for poor service and arrogance. Many orders were handled wrongly, late or not at all. So customers got angry and often refused to pay their bills." Since many of those bills were wrong and unrecognisable from the original quotations which the clients had received, this was not surprising.

When Parcell and Sanderson were called in from Reuters' continental European operations to become managing director and deputy at the British company, they discovered that many customers in the City of London – by far Reuters' largest UK market – were having to wait between three and six months to receive new hardware and services. Even if no hardware was involved, it took a fortnight.

From that point, it often took the company two months just to send the bill, and another three or more to collect payment. The cause of this mess was the slow and fragmented nature of the company's long-standing procedures for taking orders, issuing contracts, processing them, arranging and executing installation, invoicing clients and then taking payment.

"The processes which the staff were trying to operate were highly compartmentalised," says Parcell. "Even a simple order would go sequentially through up to 12 departments" – and five computer systems. In all, there were about 24 "hand-offs" between different specialists as an order was processed, even if no re-work was required to correct the many errors.

Out in the field, some salesmen looked after several hundred customers at a time, and an engineer handled about 100. So a customer "might be served by different people on different days of the week", says Nigel Vince, who led the team of Oasis consultants which helped Reuters with the detailed re-engineering work.

To make matters worse, few salesmen and engineers knew each other, since they were located in different buildings and were rarely on the same job together. The various departments of administrators who processed the paperwork were also located separately. An irate client's telephone call was almost invariably answered by someone who knew nothing about the order in question, but had to pass the inquiry on from one department to another. So many inquiries were never answered.

To anyone who had strayed into Reuters from a halfway modernised factory, even back in the mid-1980s, the whole arrangement would have seemed crazy. But, as Sanderson says, it is far easier to see, and re-design, all the different parts of the physical flow in a factory than it is to analyse all the inputs into a set of white-collar processes.

The Parcell-Sanderson recovery programme involved five consecutive steps, aimed at starting to serve customers promptly, accurately and to their satisfaction:

- The organisation was broken into four geographic divisions capable of getting closer to customers.
- Each division was sub-divided into a series of small multifunctional "account teams", consisting of "account managers" (former salespeople), planning engineers, and "business administrators". The last group was a new breed of person who combined the roles of the previous sales, billing, technical and general administrators, but with much more direct customer contact than before. Each team, of between three and six people, was grouped round an array of desks and terminals. Each was given a small number of clients: between six and 50, depending on the size of customers.
- Except for the fact that the multi-functional teams have no designated leader and are permanent, unlike many "project teams" in manufacturing industry, steps one and two are pretty conventional. For instance, each team member still reports to his or her functional boss at present. The really radical "re-engineering" came with the next step.
- What consultants call the entire "customer order life-cycle" (order-through installation-to payment) was redesigned from scratch, in order to allow the new teams to operate it swiftly and smoothly "from end-to-end", as Sanderson puts it. A series of the previous steps – for instance, order-taking and the issue of contracts – were condensed into one, or avoided entirely by the merging of administration tasks. Instead of every step being done sequentially by separate departments, several activities are now carried out in parallel by the team members.

A multifunctional account team – one of 60 at Reuters: Giles Hewson (foreground), account manager, Alan Maguire (left) and Lee Dainton, business administrators and Barry Edwards (right), planning engineer.

As a result, the number of hand-offs through which the process had to pass was reduced from two dozen to four. A series of timing and other performance criteria was also laid down, in most cases for the first time, so that customers and staff knew exactly what was expected.

The training and change process for the 900 staff involved was "quite draconian and dictatorial", says Parcell, rather than along the consultative and "empowering" lines advocated in most re-engineering theory.

Two years on, Parcell and Sanderson recognise that pressure is now building up among the teams for more latitude on various aspects of daily decision-making. Few changes have yet been made to people's incentives, except for the crucial one that sales staff now receive commission once orders are installed, rather than received.

- Starting in early 1992, the company's records have been straightened out – a slog of a process which will be complete in July.
- The reliable and flexible old computer system, which has operated the new order process reasonably well, is in the process of being replaced by a more up-to-date system designed specifically to suit the new process. Unlike the re-engineering so far, which has caused no job reductions – rather, the reverse – the new system will automate a number of clerical functions.

The impact of the new, team-based process has been striking. More than 95 per cent of installations are now on time: between three and four weeks after ordering if hardware and services are both involved, and barely a day for services alone. Bills are now more than 98 per cent accurate and debt from recalcitrant customers is minimal.

Independent market research studies show that, on almost every category of customer attitudes, dissatisfaction has been brought down to 10 per cent or less.

The way most front-line employees feel about the change is encapsulated by one business administrator, Alan Maguire. The old atmosphere of all-round "firefighting", and buck-passing between specialists, has been replaced by one of mutual help and "covering" for each other, he says. "It's astonishing how much has been achieved by co-locating us not just in the same building or on the same floor, but around the same desk."

The first article in this series was published on May 24.

Employers seek political lead on childcare

There is more than a hint of impatience in the voice of Anne Watts, equal opportunities director of Midland Bank, as she sets out the bank's record on providing childcare.

"Midland has been at the forefront on childcare. We've done our bit, but we can't do it all. Government, where is your response?"

That question is being increasingly put by UK blue-chip companies who feel that their childcare efforts are not matched by government action.

Yesterday saw the launch of an employers' pressure group, Employers for Childcare (EFC), to lobby the government and the main political parties. Supported by the Confederation of British Industry, the principal activists, apart from Midland, include Kingfisher, Shell UK, TSB and British Gas.

The group is not necessarily demanding large cash injections from public funds for childcare. It wants the government to take the lead in developing a national strategy for the daycare of children up to the age of 14. National standards for provision, an examination of the current tax rules, overall priorities on where services should be concentrated and an exchange of ideas on best practice, are all subjects the group wants examined.

Employers, parents and care providers have their part to play, says EFC, but without central leadership "isolated examples of good practice in childcare provision are swamped in a patchwork of inconsistent and badly co-ordinated services".

The facts, says EFC, speak for themselves. The UK has among the poorest public provision in the European Community and "this means that large sums of money are being wasted on training, because employees with valuable skills cannot remain in the workforce without adequate childcare," says the group's launch document.

Figures collected by the Institute for Public Policy Research suggest that registered daycare is available for less than 8 per cent of children under five in the UK; even when children reach that age, the school day finishes mid-afternoon and holidays take up 175 days a year.

It could be argued that if employers are finding they are losing skilled labour, the market would push them to make the necessary provision. The benefits are tangible. For example, Midland's 114 nurseries, which provide 850 subsidised places, plus 60 holiday playschemes, are considered by the bank to have had a strong impact on the retention of staff. In 1988 only 30 per cent of women returned after maternity leave. By 1992, that had risen to 75 per cent.

EFC's reply is that leaving childcare to employers can only ever work to a very limited degree: smaller companies may be unable to fund the setting-up of schemes and are likely to lack the know-how; even the largest employers are unable to provide the choice of quality care required in every geographical location.

There is resentment that employers are being landed with an activity that consumes disproportionate resources. As the launch document states: "[childcare schemes] should not take large amounts of management time and skills from the development of their core business."

Chris Marsh, employment policy adviser to Shell UK, wants the government to recognise that market forces will not solve the problem: "Many equal opportunities policies, such as enhancing maternity provision and introducing career breaks and flexible working, can be done by companies themselves. But childcare is of a different order of magnitude and complexity."

Shell has a nursery for employees' children in Aberdeen, one of its main locations, but employees at the company's London head office travel in from 32 different London boroughs and 17 counties. John Collins, Shell's chairman, says in EFC's launch document, that the company "cannot make a tangible contribution over such a wide geographical area, which is why we look for an overall response to the issue, co-ordinated by the government, in which we can play our part". British Airways points out that, even with a company subsidy, the cost to employees of a workplace nursery place can be out of proportion to their income, particularly for those who work part time. Taking a small child into a city workplace nursery is not always the preferred option for employees.

While workplace nurseries are only feasible in a few situations, EFC points out that current tax policies are inconsistent and favour nurseries above other provision. British Gas, for example, provides nearly 2,000 of its employees with £30-worth of vouchers for childcare each per week, but the vouchers – unlike subsidised nursery places – are considered a taxable benefit.

The group plans to put these detailed points to the government and to press for one department to take the lead. Fiona Cannon, TSB Group's equal opportunities manager, says the priority is to get all political parties to accept that childcare needs a national framework.

"The framework is the issue, rather than individual solutions to individual problems," she says.

Current members of Employers for Childcare are: BBC, British Airways, British Gas, British Telecom, Co-operative Bank, Grand Metropolitan, Kingfisher, Midland Bank, Rover Group, Shell UK, and TSB Group. Further information from: Employers for Childcare secretariat, Priory House, 8 Battersea Park Road, London SW8 4BG. Tel: 071 498 3769

Diane Summers

All for the birds

Mining groups are anxious to protect wildlife, writes Kenneth Gooding

Birds in Nevada now have new homes courtesy of Coeur d'Alene Mines. The company is attaching lightweight nesting boxes to its claim posts – the posts used to mark boundaries when mining companies stake their claims.

The idea was developed by Rob Berry, senior landsman with Coeur d'Alene's exploration subsidiary. He noticed that the hollow plastic boundary posts often claimed more than mining land. Birds slipped into the open ends of the posts, sometimes to nest in them, and could not always escape.

Rather than simply capping the posts, Berry developed the bird boxes, which are folded together from one piece of corrugated cardboard and attached with some simple hardware. The boxes are light enough for mineral exploration teams – who frequently hike many miles into remote areas – to carry several at a time.

Berry called on experts at the Nevada Department of Wildlife to help design the nesting boxes, which were first tested last year at the group's Rochester mine in Nevada, the largest primary silver mine in the US. Now schools and Scout groups are also using them.

Berry's boxes are suitable for small birds, bluebirds and wrens, but larger ones have been designed to accommodate kestrels, a species of owl and wood ducks.

This, however, is not just a simple story about a nature-lover and a good idea. Dead birds are a very big issue at open-pit mines in the US. Mining companies are spending millions of dollars to make sure that they do not fall foul of legislation such as the US Migratory Bird Treaty Act. The act makes it illegal for any company or mine to kill migrating water fowl and every death has to be reported.

The mining method that causes difficulties is called heap leaching. Ore is placed in a heap on an impermeable plastic pad and a weak cyanide solution is sprinkled over it. The solution collects at the bottom after percolating through the ore and dissolving much of the metal.

Rob Berry's lightweight bird boxes are suitable for smaller birds

This very low-cost process has enabled gold and silver to be won from rock containing very little of the precious metals – typically well under one ounce of gold in every tonne of ore – and it contributed to the tremendous upsurge of gold mining activity in Australia as well as North America in the 1980s.

But tailings (waste), discharged into ponds after the gold has been separated from the solution, still contains cyanide which takes some time to lose its toxicity in the sunlight. Many of the US gold mines using heap leaching are in desert areas, and when birds in the desert see a patch of blue water there is little that can be done to stop them if they want to drop in for a drink.

Most of the ponds are too large to be satisfactorily covered by netting – heavy winter snows tend to tear it. But at the Rochester mine Coeur d'Alene tried this and various other methods to keep birds away from the cyanide solution. To scare the birds away, strips of polished aluminium were employed as well as propane cannons that exploded compressed gas with a loud bang at intervals. None of these strategies worked perfectly.

Now the company is pioneering a "closed loop" leaching system that does away with the open ponds. Instead, the cyanide solution circulates without seeing the light of day, and the "pregnant" or metal-bearing solution is held in a closed tank before processing. Even the drip-irrigation facility is buried below the surface of the heap of ore on the leach pad.

All this obviously helps to protect birds and other wildlife. But it has also reduced Rochester's costs by enabling leaching to go on year-round without the heap freezing and by reducing the amount of cyanide and water used.

Coeur d'Alene is now leaching out the same amount of metal with 4,000 gallons of solution, against the previous 7,000 gallons.

Dennis Wheeler, Coeur d'Alene's president, says the system helped to reduce the cash costs of production at Rochester from $3.76 a troy ounce in 1991 to $3.22 last year – or by more than 14 per cent.

He says: "Environmental protection is a key element in the mining industry and it will remain so." So he encourages a positive approach throughout the company – an approach that led Berry to come forward with his bird house initiative and resulted in Coeur d'Alene winning several environmental awards in the past five years.

This helps create a positive image for the mining industry in its battles with environmentalists. Wheeler suggests: "Mining is a compatible use of the land and fully in keeping with the US tradition of multiple use of our lands."

He also insists that his shareholders recognise that money spent on environmental actions is well-spent. "Our shareholders want to be part of an organisation that recognises a responsibility to the environment."

Madagascar and the WWF have developed a plan to save the island's unique flora, writes Hilary de Boerr

Swapping foreign debt for nature

The crustacean biologist ushered the two World Bank specialists into his office. They were there to discuss Madagascar's debt. The biologist spoke, the economists listened.

Such are the anomalies in this Indian Ocean island that a scientist has become a key player in high finance. Paul Siegel, of the World Wide Fund for Nature, is helping to reduce significantly Madagascar's commercial debt – through a series of debt-for-nature swaps.

One of the poorest countries is thus managing to counter intense pressure on its fragile and increasingly threatened environment.

Madagascar, the fourth largest island in the world, is home to a host of unique flora and fauna. About 80 per cent of its plant species are found nowhere else on earth.

It is proving a race against time. The island's fast-growing population of 12m people needs land for agriculture and trees for fuel and construction. Current rates of deforestation would leave forest on only the steepest slopes by 2020. Soil erosion is silting up rivers, over-grazing is extending the desert and recent years of drought have further compounded problems, particularly in the south.

The WWF has chosen to invest in debt-for-nature swaps in Madagascar because of the close link between debt, poverty and environmental destruction. To service its international debt, the country has to earn foreign exchange through exports; such exports are largely agricultural, meaning undue pressure on the land.

Since 1989, the WWF has bought £3m worth of Madagascar's commercial debt on the secondary market, at the knock-down price of about £1.5m.

This year, the conservation organisation will buy another £2m of debt at a similar discount. Madagascar's outstanding commercial debt is estimated at about £59m, according to the World Bank, but only half is thought to be available for purchase on the secondary market because of the country's good reputation for repayment.

That reputation extends to the details of the debt-for-nature swaps. The WWF is able to sell the debt back to the Malagasy government at 100 per cent of face value, and receives the equivalent – £3m so far – in local currency. Often, developing countries operating debt-for-nature swaps will pay back only a proportion of the debt's face value, for example 75 per cent.

Deforestation is widespread

In return for such good terms, the WWF agrees not to use any of the money for imports, thus saving precious foreign exchange.

The WWF has used its debt-for-nature money to develop a new level of conservation managers locally. Working closely with the Department of Water and Forestry, the fund finances the recruitment, training and salaries of "agents pour la protection de la nature", or nature protection agents. The APNs are recruited from local communities and help promote sustainable use of forestry resources, environmental education and conservation activities.

Small projects are also being funded. These include reforestation, or tree nursery schemes and "trade-offs", where village leaders protect a forest against fire or livestock in return for a school, clinic, or irrigation dam.

The debt-for-nature project works because it benefits everyone, Siegel says. Aid donors like it since their money goes twice as far – every $1 donation buys $2 worth of conservation. Donations to the WWF have come from members as well as USAID, the US agency for international development.

The WWF benefits because the Malagasy central bank repays its loan in a lump sum, which is then invested by the WWF and earns substantial interest payments – enabling what Siegel calls "endowment funding" of projects.

So far, interest payments alone have been large enough to finance almost all of the APN projects, thus significantly extending its life span.

"That's crucial to the project's success," Siegel says. "It takes a long time to grow a tree, and we now have a much more realistic timeframe to work in."

In the past, environmental projects have faltered as funds dried up after only a few years.

The Malagasy government benefits because it not only reduces foreign debt, but encourages reinvestment in environment and development schemes.

The success of endowment funding is encouraging other conservation groups to follow suit in the country.

This year, Conservation International will purchase $5m worth (£3.2m) of debt to provide long-term financing for the protected area of Zahamena in the country's north east.

The integrated conservation and development project is designed to encourage local participation in the management of the nature reserve and surrounding area.

Missouri Botanical Gardens is, meanwhile, arranging to buy $1.5m of debt over a three-year period to finance research, training and administration at Tsimbazaza Botanical Park in the nation's capital, Antananarivo.

Business council still on course

Where is the Business Council for Sustainable Development now? The Geneva-based club of the chief executives of 48 blue-chip multinational companies was formed three years ago to contribute a business viewpoint to last summer's Earth Summit in Rio de Janeiro. This appeared in the form of a highly publicised book, Changing Course.

But since then, little has been heard of the BCSD or of Stephan Schmidheiny, the Swiss businessman who was its prime mover. Was it just a flash in the pan?

Apparently not. After Rio, the Council decided to embark on a second phase extending to 1995 to explore some of the policy issues raised by Changing Course, particularly in the financial field.

According to Hugh Faulkner, the BCSD's Canadian executive director, the Council is setting up task forces to look at three issues: the internalisation of environmental costs, the role of the capital markets in promoting sustainable development and the situation in emerging markets.

The BCSD hopes to come up with recommendations for action in these areas over the next year or two.

The Council is also looking at ways to stimulate business involvement in third world countries. It wants to promote joint ventures in the supply of municipal services such as water and waste management and find ways round obstacles to investment in natural resource projects such as pulp and paper.

Meanwhile, the composition of the Council has changed. Some members, such as Lodewijk van Wachem, senior managing director of Royal Dutch Shell, said they were only committed up to Rio and have dropped out.

But others have joined, including Edzard Reuter, chairman of Daimler-Benz, Roy Vagelos, chairman of Merck, and James Wolfensohn, the Wall Street investment banker.

Council membership is now 41, but Faulkner says interest is such that he expects it to rise to 60 before long.

As for Changing Course, the book has sold 100,000 copies and has been translated into seven languages. It will be updated for 1995 to assess the progress made since Rio.

David Lascelles

According to research, this man should be a California surfer.

Although it pains us to admit it, our research tells us that when many people in the U.K. think of Apple™ computer users, they think of free-spirited, light-hearted individuals. The kind of person you'd find more often on a surfboard than a board of directors.

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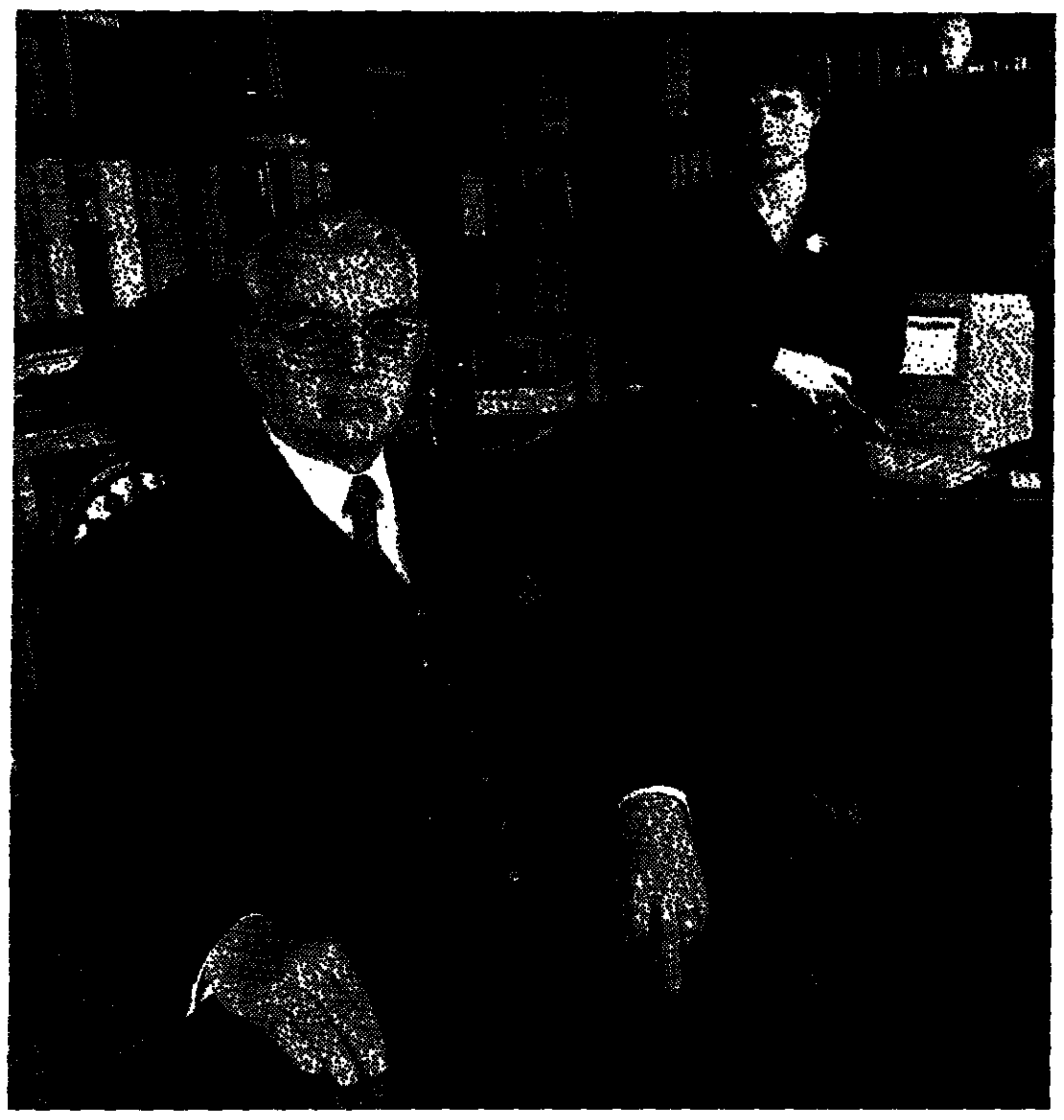

Richard Bradley, Chairman.

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1. "Desktop technology. A cost-benefit analysis" A life-cycle cost study conducted by Gartner Group Inc. November 1992. 2 Source: Analytikerna/Eureka Research AB. Research carried out in four European countries (2/93). 3 BYTE Magazine, USA. November 1992.

PEOPLE

Alexander declares independence from the Big Six

July 4, US Independence day, will see freedom from the shackles of a Big Six accountancy firm for John Alexander, who is joining the corporate recovery department of accountants Pannell Kerr Forster.

His move is something of a coup for the smaller firm.

Alexander, now a general insolvency partner with KPMG Peat Marwick specialising in liquidation and bankruptcy work, will be a senior partner with Pannell in London.

"This is a tremendous opportunity to spread my wings and develop something," he says.

"It partly reflects a frustration for many people who feel the institutionalisation of being in a larger firm for too long," he says.

"There is also a feeling [of frustration] when earnings are being heavily diluted by the weaker areas of general accountancy practice," he adds.

He says Pannell needs a "name" to help bring in business from the banks.

"I am dyed-in-the-wool Big Six," he says. "I hope we will be able to provide a Big Six product at significantly lower costs. There is also the greater immediacy of partner involvement."

He says there is no current plan for him to become head of

insolvency at the firm, although he says the current head, who is based in Manchester, acknowledges the post should be in London.

Alexander joined Thomson McLintock in 1971, joined the insolvency department in 1974, became a partner in 1984 and stayed with the firm after the merger with Peat Marwick in 1987.

His past work has included the Levitt Group, Rosehaugh, and trustee in bankruptcy to musician Eric Woolfson, who wrote the musical Freudiana.

He said he had been looking around for some time for a new challenge, while Pannell had been trying to find ways to strengthen its insolvency department for about 18 months.

Stenham and Evans to Trafalgar

Following months of boardroom upheaval, Cob Stenham and Dick Evans are joining Trafalgar House as independent directors in a move foreshadowed in the interim results in early May.

Although Hongkong Land is only a 25 per cent minority shareholder, there are now four representatives from the Jardine Matheson empire on the Trafalgar board, including chairman Simon Keswick, finance director David Gawler, and non-executives Sir Charles Powell and Rodney Leach. If yesterday's appointments are not to be seen as cosmetic, as some analysts worried, Stenham and Evans will have an important role in listening out for the interests of the rest of Trafalgar's investors.

It is a task that ought to be familiar for Stenham (pictured left), who is non-executive chairman of Anglo-French paper group Arjo Wiggins Appleton. However, some Arjo investors have been question-

ing not just the size of Stenham's remuneration but also the influence apparently being wielded by the French minority shareholders.

The new recruits join Sir Archibald Foster, David Howell and Tony Ryan, the embattled chairman of GPA. There have been rumours the latter will leave the board but Trafalgar House say there is there is no announcement.

For Evans (pictured right), it is the first major plc outside directorship he has accepted. Chief executive of British Aerospace since 1990, Evans joined the military aircraft division of British Aircraft Corporation in 1967. He has been on the board of BAe since 1987.

Wright takes a second retirement

Brian Wright, who recently supervised the sale of most of the insurance business of Municipal Mutual Insurance, retired at the end of last month – for the second time.

Two years ago, Wright, who is 63, retired after 30 years with Sun Alliance, the leading composite insurer. But he was soon back in the industry to take charge of efforts to stave off the liquidation of the troubled MMI, which ran up heavy losses in 1990 and 1991.

Under his guidance, large chunks of the company have been sold off and 1,500 jobs saved. MMI remains intact to administer a portfolio of property and sell off two small subsidiaries: Prime Health and Prosperity UK. Philip Gregory, who joined MMI in 1989 and is currently finance director, takes over from Wright. Gregory, an accountant for 13 years at Peat Marwick, is 37.

Accounting for Chance in matters professional

Michael Chance has been appointed executive counsel to the joint disciplinary scheme, the accountancy profession's highest body in the UK which considers matters of public interest.

His post has been created as part of a restructuring of the operation of the scheme. As counsel, he will be responsible for examining cases to establish those worth pursuing.

He will coordinate the work of investigating accountants employed to study the issues, and will act as prosecutor on behalf of the scheme in front of a committee of inquiry if he decides action should proceed.

The new procedure will, for the first time, permit cross-examination of witnesses.

"I see my role as one who must take action where it is needed, but also be robust in deciding when action isn't needed, despite the pressures," he said. The same debate is taking place at the Serious Fraud Office, which Chance helped set up and of which he was deputy director in 1987-90.

Snijders to head Eurotrack Indices

The FT-SE Actuaries Share Indices Steering Committee yesterday announced the appointment of Dick Snijders as chairman of the FT-SE Eurotrack Indices Committee. He will also be a member of the steering committee.

Snijders is managing director of Philips Pensioenfondsen based in Eindhoven.

Television/**Christopher Dunkley**

A Victorian viewer tunes in

To return to regular viewing after a break of several weeks spent reading books and listening to music in a house without a television set is to feel a little like a stern Victorian. Why are these television people behaving in such a manic fashion? Whence these false grins? Why the obsession with speed? If the aim is to entertain, why this fixation upon the criminal, the violent, and the distastefully abnormal? Do the people who make these programmes believe their audience consists exclusively of morons? Why don't they calm down, pipe down, give the monotonous disco drumbeat a rest (having ruined so much sport it is now creeping into serious current affairs) and stop the incessant high-pressure trailers?

The week began with an edition of *Horizon* called "Wot U Lookin At?" which was said to be the most common phrase immediately preceding an outbreak of violence. We were treated once again to the old nature/nurture debate: are people born with criminal tendencies or is their upbringing responsible? Predictably enough the programme itself appeared to side with the politically correct nurture faction and the last line of the script – "Should we look to the structure of society and not to the structure of our brains for the solution?" – came out sounding more like a statement than a question. When a black man in the US was shown vehemently opposing any statistical analysis of race and crime nobody even went so far as to ask whether it was the facts he feared or their misinterpretation.

Criminality is no doubt a subject of concern to many, yet it seems clear that fear of being the victim of violent crime, especially among the elderly, is absurdly disproportionate to the real risk – thanks largely to television. Do broadcasters never look across their own schedules and wonder at their perpetual obsession with the criminal? On the same night as *Horizon* BBC2 screened a pastiche game show called *It's A Stitch-Up*, which successfully highlighted some of the iniquities of British justice, and a repeat episode of the prison comedy *Porridge*. ITV showed the real crime game show *Cluedo* and an unsuccessful American cop-show pilot, *Mr Inside/Mr Outside*. Channel 4 repeated the excellent ITV drama *Hard Shoulder*, about stolen fire extinguishers, blackmail and thuggery.

On BBC1, in addition to an episode of the American crime series *Cagney And Lacey*, there was a *Panorama* devoted to "The Beast Of Corleone", Mafia boss Salvatore Riina. Apart from a nastily glamorised reconstruction of a murder, with natty blue back-lighting, this was one of the better Mafia programmes, but even if they were working for an Italian audience British broadcasters would be paying undue attention to this subject. In the hill villages of Umbria they do talk about organised crime, but they talk much more about the weather, the vines, and football.

Next night, presumably in case we had missed the previous two dozen, *40 Minutes* (BBC2) treated us to yet another prison documentary about the mind of the psychopath. Perhaps I am taking my social obligations too lightly, but this programme told me more about Al's rough, rude, violent proclivities than I wished to know. I am probably lacking in sympathy for transexuals and transvestites, too, because I feel as though I have seen enough programmes about these saddening people to last me a lifetime. In part this is a result of attending international television festivals where such programmes are a great favourite, but even without leaving Britain it is quite easy to have seen more programmes about these people than their tiny numbers and tinier significance in the grand scheme of things can possibly justify.

Which is not to say that *Under The Sun: Boys From Brazil* (BBC2) was a bad programme; on the contrary it was well made and moderately revealing. However, the programme that is still missing is the one that explains why South Americans with silicone breasts and hips, lots of lipstick, stockings, suspenders, and penises have had such remarkable success working as prostitutes in Paris and Rome during the last 10 years. That might tell us more about the generality of men (and as much, or more perhaps, about modern women) but making such a documentary would be much harder work, of course, because there are fewer exhibitionists among punters than among transvestites.

Wot U Lookin At: a participant in television's crime wave

At least these programmes were all reasonably long and hefty and assumed a degree of intelligence in the viewer. Elsewhere it is striking to notice, coming back to television after a break, how often we are treated as complete nitwits. It is not simply that broadcasters are busy turning the "three minute culture" myth into a self-fulfilling prophecy by making shorter and shorter programmes or items, it is also the attitude of the presenters. BBC2's sequence of item-ettes, *Nightshift* was a prime example, so bad it was hilarious.

In the past, live coverage from night-sight cameras designed to show the activities of foxes or badgers has disappointed when the animals failed to co-operate. For *Nightshift* the BBC tried to avoid that by setting up several cameras in different places, but this proved far from infallible. However, instead of accepting this and admitting it, the presenters, especially the chief female presenter seated at a farmhouse table, attempted to disguise the lack of interest with gushing enthusiasm. The more murky and banal the forthcoming pictures, the more burblingly intense her introductions became.

Similarly wrong-headed is so much of ITV's sports coverage. Increasingly this brings to mind supermarket sales of hamburgers where it is not the meat that counts but the packaging. It is bad enough that, having bought the rights to the Lions' tour of New Zealand, ITV should shoe-horn a match as magnificent as that against the Maoris into an 80-minute programme which was also packed with several commercial breaks and another entire match. Far worse was the agonising waste of time as we were subjected to a travelogue about totem poles and antipodean scenery. To find, having got past such packaging, that even then we were not to enjoy the match properly but merely to be given bite-sized rugby "Mc-nuggets", with every try repeated three times, was appalling. Once again the attitude is that the poor, dim, viewer cannot be expected to survive a whole rugby match: he must be babied along with bite-sized spoonsful of pap.

So, was there not a single programme in the week worth watching? Naturally there were several. Channel 4's adult American comedy series *Dream On* (adult by television's standards, anyway) was as funny as usual. In its repeat run of *10 x 10* BBC2 showed a jewel of a film called "Beigels Already" about a famous all-night baker in London. This week's episode in Edgar Reitz's account of Germany in the 1960s, *Die Zweite Heimat*, was less impressive than some, yet still engrossing. On the same night the same channel (BBC2) screened a programme which seriously considered British party politics outside a general election and outside a "balanced" series: in *Fight Again* Roy Hattersley discussed Labour's fortunes with other supporters of the party. Above all there was Tom Bower's account of the life of Tiny Rowland in BBC1's *Inside Story*, a remarkable programme in which Bower managed to persuade a succession of former Lonrho directors and employees to blow the gaff on film.

Perhaps the lesson that has to be re-learned is that, unlike print or music, television is a medium that shovels everything into your house, the good and the bad, the condescending and the more demanding. Consequently much more discrimination is needed than with the older communications media.

Much ventured, a fairly small amount gained

David Murray on a mixed mini-season of mini-operas

As they say, "Nothing ventured..."; but for all the good intentions of the Garden Venture, it is doubtful just what the gains amount to in hard operatic currency. This is its third mini-season of commissioned mini-operas, three in each of two alternating programmes at the Riverside Studios. With generally high standards of singing, direction and design, and polished accompaniment by the Endymion Ensemble, every piece got a good run for its money. Yet only one "opera" in each programme, by my reckoning, scored a plausible success in its own terms.

A third was dry and neat, but slight – one felt no inclination to hear it again; two others were hobbled by operatic miscalculations, and the sixth was ridiculous. For so much devoted and costly labour, that seemed a meagre result. What principles guide the Venture's commissions? (There is an evident bias toward "fringe" music, some way outside the tougher centre.) Once commissioned, are the composers left fancy-free to pursue duff ideas? Of the four also-ran entries, none would imaginably command anything more than a small, specialised audience: did anybody think that mattered?

Brief reports, in descending order of admiration: – Edward Kemp supplied the tall tale (funny, touching, at once down-to-earth and visionary) for Geoff Westley's *Travels in the Arctic Circle*, about a disillusioned man who decides to abandon everything and walk alone to the North Pole. Westley's flamboyantly lush piano-and-strings score, unabashed '30s English-Romantic with Hollywood echoes, feigns total ignorance of any musical development since then. But it is also expertly paced and varied, sets the words impeccably, presses the right expressive buttons in all the right places and was hugely lucky in Gwion Thomas as its protagonist – bluff and subtle, with the charisma of a bemused, chastened Bruce Willis.

As *Travels* was the saving hit of Programme A, so was *The Wheel* in Programme B. Felicity Hayes-McCoy's libretto, a caprice about macho hero-figures in far-flung cultures, might have seemed too precious, had not the Bolivian composer Agustin Fernández found so much lithe muscle for it. With prominent accordion and guitar, the music is springy, pungent and original within an unmistakably Latin-American idiom, for all its artful ethnic borrowings.

Wilfred Judd's whole production gleamed: bright costumes and props by Claudia Mayer, virtuoso lighting by Ace McCarron, the vital "movement" (fights, struts, poses) devised by Amanda Demetriou – no doubt Stephen Austin's lusty, stupid Hero owed his Toshiro Mifune airs to her. Fiona Rose's eternal object-of-heroic-desire was knowing, seductive and delectably sung; in their multiple roles Martin Lindsay and Jonathan Peter Kenny were just as clever.

> With high standards of singing, direction and design, and polished accompaniment, every piece got a good run for its money

Graham Fitkin chose to make a minimal operatic sketch of Paul Auster's novella *Ghosts* (librettised by Walter Donohue), in which White hires Blue, a low-budget private eye, to keep perpetual, pointless watch on Black. The dénouement falls somewhere between Kafka and O Henry. Nearly all Auster's sedulously flat urban detail is stripped away, leaving only an abstract fable which Fitkin has set in a jaunty post-minimalist vein – like very dilute Michael Torke. It just about works.

In *Four Figures with Harlequin*, the composer-librettist Errolyn Wallen adds amiable, pop-oriented music to what the programme-book told us was "a journey into the theatre of the subconscious where a lost boy searches to be born". There *was* a boy, not a foetus but a stock pre-adolescent, and three other stereotypes: a self-absorbed Mother, a spoken Politician ("I am a Man of the State") and a raddled Fellini monstress. Though their words were clear enough, the dramatic sense remained opaque, the music catch-as-catch-can and exiguous.

In Geoffrey Alvarez's *The European Story*, we lost too much of Ruth Fainlight's poetic text ("a young woman writer confronts the archetypes of European consciousness") to overlapping voices to discover what it was meant to be *about*, though timeless folk-tale themes surfaced *en passant*. Musically, the Alvarez score was drawn tauter than most of the others here; but just on that account, its impact was too contrived to suggest the intended depth of feeling.

Luke Stoneham's *Arms for the Maid* exposed a Russian counter-tenor (Slava Kagan-Paley, brilliantly flexible) in a corn-silk wig and little else as Joan of Arc: warbling away in endless melismata, arms writhing like Rider Haggard's "She" at the point of immolation. He/She was attended by vamping maidens *à la* Theda Bara (Kate Flowers and Jeannie Marsh did their melodious best, as also in *The European Story*).

At bottom Stoneham's score is quite austere (mostly chaconne-like, upon a stern tonal basis), and insofar as Karen Whiteson's text was discernible it sounded like plain historical narrative. For all that one could tell, the ultra-camp but ill-focused Bailey production appeared to be her own, ludicrously tacky idea.

Sponsored by the Arts Council, the Friends of Covent Garden, readers of The Independent, Cable & Wireless plc and the London Arts Board Programme A repeated June 3 and 5, Programme B tonight, June 4 and 5 (mat)

Theatre/**Alastair Macaulay**

The Dearly Beloved, by computer

The Hampstead Theatre's publicity says that this new play is by Philip Osment, but it is easier to believe that Osment just let his computer do the work. You can just see the instructions he fed in beforehand: "1. Make it very Chekhovian," "2. But make it modern – e.g. include at least one lesbian," "3. Have a death in the third act," "4. Then make everyone accept new life in the fourth act, and learn to love one another more than before."

The computer has done its job with bland efficiency. The Chekhovian aspects consist of the facts that these characters are all stuck in the provinces, that sooner or later almost everyone onstage reveals that he or she is wailingly unhappy, that everyone spends time harking back to the past and/or imagining the future, that conversation is littered with non-sequiturs, and that all that happens (apart from one death offstage) is characters arriving, departing, drinking too much, and falling in love too readily.

Alaric (cf. Trigorin in *The Seagull*), a sophisticated media bigshot, returns to his native provinces. Two local women (both unhappily married) compete for his attentions, and one local husband is wildly jealous of his success. Alaric is in complete contrast with Terry, his mentally retarded brother who is still looked after by their mother. The fact that Alaric speaks less spontaneously and originally than most other people onstage is not made interesting.

Alastair Muir

From left, Pamela Moiseiwitsch and Sally Knyvette in "The Dearly Beloved"

The dialogue is wholly composed of commonplaces and platitudes, apart from the lines given to one of the local wives, Elaine, who is cast in what a computer might take to be a fresh wise-rustic vein. But Alaric has as bad an influence on her as on everyone else, and she is reduced to clichés before Act Three.

The Dearly Beloved is a morass of remarks like "What's the point of all this suffering, I wonder?" "Wherever you go, you take your life with you," and "Awful thing, isn't it, remorse?" Then there are the symbols. Baby in Pram = New Life. The Deer = The Beauty of Nature. The Choir = Human Co-operation.

There are nine in the cast, and each of them manages to over-emphasise at least one point during the the play. The production is by Cambridge Theatre Company; Mike Aldreds directs. The only deft touch in the whole affair is the title. You spend the first three acts applying it to Alaric and (in ironic contrast) Terry, and maybe (also ironically) to the various girlfriends in the cast. Only when the death occurs does the title take new irony and new force.

At the Hampstead Theatre, London NW3. 071-722-9301.

Concert/**Max Loppert**

Kraft at the South Bank

Magnus Lindberg deserves every moment of the attention currently being paid to him in London. This young (b. 1958) Finn is a composer with bags of individual imagination, energy and – at times – plain cheek, and he has the resources to carry through even the wildest of his musical ideas. Last week's short spell of South Bank concerts devoted to his music culminated, on Saturday evening, with perhaps the wildest idea so far: *Kraft*, given its British premiere by the Philharmonia Orchestra under Esa-Pekka Salonen (a longtime Lindberg collaborator and champion).

This piece has developed a considerable and rather notorious reputation since its Helsinki premiere in 1985. One heard and saw why: *Kraft* is a Happening, a *jeu d'esprit* with a rude, rebellious flavour. Lindberg, originally commissioned by the Helsinki Festival to produce a concerto for piano instead took the opportunity to martial vast orchestral forces, disperse them over a large hall, and at times set them (musically) at each others' throats.

On the surface the piece consists of 45 minutes of drum-bangs, gong-crashes, and fierce brayings from brass-groups forming and re-forming at different points of the Festival Hall, interspersed with surreally placed quiet solos. A spirit of choreographed chaos is typified by the group of seven young men (from the Finnish avant-garde chamber-group Toimii, conductor Salonen among them) in white tennis togs nimbly haring around the Royal Festival Hall stage and auditorium as though on a musical treasure hunt. A catch of rubbish-dump items (including a Volvo bonnet) serving as percussion instruments dangles from the front of the platform; at one point the sound of bubbles blown in a bucket of water is amplified to serve as "orchestral accompaniment".

The notion of experimental music-theatre seemed to be revived: and yet, for all the confrontational aspects, the polychoral groups of instrumental voices pugnaciously competing, the descent into visual farce, it is the suggestiveness of Lindberg's actual notes that constantly holds the ear, drawing it below the surface into a world of complex, ambiguous and even rather mysterious musical suggestion. A possible dramatic theme can be traced – of individual freedom of expression (embodied by the cello, clarinet and piano solos, all full of "personal" riffs and curlicues) at ever-growing risk in a rigidly depersonalised world (symbolised by the concluding savagery of full-orchestral repeated chords).

But what ultimately lends *Kraft* its memorable quality is the unpredictable wit, the freedom of expression, and the fleeting touch of musical grace that can descend on even its loopiest episodes. I don't know exactly how and why the piece "adds up"; but I insist that it does.

INTERNATIONAL ARTS GUIDE

BERGEN

The 1993 Bergen Festival opens tonight with the world premiere of two new Grieg ballets performed by Norwegian National Ballet, repeated tomorrow. Elly Ameling is soprano soloist on Sat in a concert by Stavanger Symphony Orchestra under Frans Brüggen. Ballet of the Deutsche Oper, Berlin, presents Béjart's Ring Round the Ring on Sun and Mon. The festival, which runs till June 15, also includes Jonathan Miller's ENO staging of Rigoletto, Ingmar Bergman's Stockholm production of Ibsen's Peer Gynt, recitals by Julian Bream and Olli Mustonen, an evening with Peter Ustinov and a Schnittke world premiere conducted by Dmitri Kitaenko (216100)

BONN

Ken Russell directs a new production of Salome, opening next Mon at the Oper. Dennis Russell Davies conducts a cast headed by Emily Rawlins, Graham Clark, Helga Dernesch and David Pittman-Jennings (repeated June 11, 15, 21, 25, 29). Tonight and Sun: Cav and Pag. Sat and next Tues: Otello (773667)

COLOGNE

Opernhaus Tonight, Fri, Sun, next Wed: René Jacobs conducts Michael Hampe's new production of L'incoronazione di Poppea, with Patricia Schuman, Kathleen Kuhlmann, Curtis Rayam and Jeffrey Gall. Sat: TanzForum triple bill, choreography by Jochen Ulrich (221 8400)

COPENHAGEN

Tivoli Tonight: Papa Blues Viking Jazz Band. Fri: Handel's Saul. Sat: Christoph Eschenbach is conductor and piano soloist with English Chamber Orchestra in works by Holloway, Mozart and Dvorak. Sun: Leif Segerstam conducts Danish Radio Symphony Orchestra in Schoenberg and Langgaard. Next Tues: Nikolaus Harnoncourt conducts Concentus musicus Wien in concert performance of Haydn's L'infedelta delusa. June 11: Andras Schiff piano recital. Aldo Ceccato conducts a cycle of Beethoven symphonies on June 9, 12, 15 and 18 (3315 1012)

DRESDEN

The final week of this year's Dresden Festival includes a staging by Peter Ustinov of two rarely-staged operas, Tchaikovsky's Iolanta and Rakhmaninov's Francesca da Rimini, opening on Fri at Schauspielhaus (repeated Sat and Sun). The opera programme also includes performances tonight and tomorrow at Semperoper of Monteverdi's Ulisse, staged by Accademia Musicale Chigiana. Stuttgart Ballet presents full-length works by Cranko and Béjart at Semperoper on Sat and Sun. Hungarian National Philharmonic Orchestra, conducted by Ken-Ichiro Kobayashi, plays works by Liszt tomorrow at Kulturpalast, followed on Sat and Sun by a Dresden Philharmonic programme of Mozart and Mahler conducted by Lothar Zagrosek (486 6666)

DUSSELDORF

Deutsche Oper am Rhein Tomorrow and Fri: ballet double bill. Sat: Fabio Luisi conducts Pet Halmen's new production of Turandot. Sun: Heinz Spoerli's production of Giselle. Tues: Die lustigen Weiber von Windsor (211-8908 211).

FRANKFURT

● Tomorrow's concert at Alte Oper is a Parisian variety show with Melanie Holliday and others. Fri: Italian opera arias and duets with young Italian soloists. Sun: Camerata Bern plays Bach with Andras Schiff, Peter Serkin, Aurèle Nicolet and others. Tues: Evgeny Kissin piano recital (1340 400)

● A new production of Die Meistersinger von Nürnberg opens at Opernhaus on Sun, repeated June 10, 16, 19, 26, July 4, 11. Michael Boder conducts a staging by Christof Nel, with a cast led by Alan Titus (236061)

● Tom Stoppard's 1973 radio play Artist descending a Staircase can be seen at the Kammerspiel tonight and Fri. The Schauspielhaus repertory includes Schiller's Don Karlos, Schnitzler's Undiscovered Country and Shakespeare's Othello. Luc Bondy's acclaimed French-language production of Ibsen's John Gabriel Borkman, with Michel Piccoli in the title role, comes to Frankfurt June 25-28 (2123 7444)

HAMBURG

Staatsoper Tomorrow: Wolfgang Rihm's opera Die Eroberung von Mexico. Fri and Tues: Il trovatore. Sat, next Wed: La traviata with Tiziana Fabbricini. Sun: Christian Thielemann conducts Ruth Berghaus' production of Tristan und Isolde, with Gabriele Schnaut and Wolfgang Fassler. June 10-27: John Neumeier ballet festival (351721)

Deutsches Schauspielhaus Tonight, tomorrow, Fri: Commedia, dance work by Carolyn Carlson (248713)

Thalia Theater Tonight: Die schöne Fremde, Klaus Pohl's play about German xenophobia. Tomorrow and Fri: Shakespeare's Othello. Sat and Sun: King Lear. Next Tues, Wed, Thurs: Bob Wilson's The Black Rider (322666)

LEIPZIG

Opernhaus Tonight: Uwe Scholz's ballet The Creation, music by Haydn. Fri: Udo Zimmermann conducts Gottfried Pilz's new production of Rameau's Hippolyte et Aricie. Sat and Tues: Il trovatore. Sun: Busoni's Doktor Faust. Mon: Bartok and Schoenberg double bill (291036)

Gewandhaus Tomorrow and Fri: Kurt Masur conducts Gewandhaus Orchestra in Peter Ruzicka's 1981 Viola Concerto (Tabea Zimmermann) and Mahler's Ninth Symphony. Sat: Masur conducts works by Siegfried Thiele and Bruckner. Sun: Giuseppe Sinopoli conducts Dresden Staatskapelle in Webern, Strauss and Schumann, with soprano soloist Cheryl Studer. Mon: Marek Janowski conducts Orchestre Philharmonique de Radio France in Chausson, Berg and Ravel. Tues: Sergiu Celibidache conducts Munich Philharmonic Orchestra in Strauss and Tchaikovsky. Next Wed: Czech Philharmonic. June 10, 11: Berlin Philharmonic (7132 280)

LYON

Opéra Tomorrow, Sat: Debussy's Rodrigue et Chimène. Fri, Mon, Tues: Maguy Marin's production of Coppelia. Sun: Lully's Phaéton. Next Wed: Pierre Boulez concert (7828 0960)

STOCKHOLM

Drottningholm Tomorrow: Figaro, ballet-pantomime after Beaumarchais, choreographed by Ivo Cramer with anonymous 18th century music conducted by John Lanchbery. June 12: first night of new production of Grétry's Zémire et Azore (660 8225)

Royal Opera Tomorrow, Mon: Cosi fan tutte. Sat, next Tues: Die Meistersinger von Nürnberg (248240)

Berwaldhallen Sat afternoon: Anne Sofie von Otter sings Ravel's Shéhérazade and Zemlinsky songs in a concert with Swedish Radio Symphony Orchestra. Tues: Peter Jablonski piano recital (784 1800)

MUNICH

Gasteig Tonight: Catherine Diverrès dance programme. Tomorrow: Sergiu Celibidache conducts Munich Philharmonic Orchestra in symphonies by Haydn and Tchaikovsky. June 10, 11: Georg Solti conducts Bavarian Radio Symphony Orchestra (4809 8614). Jun 13, 27 at Herkulessaal: Alfred Brendel plays Beethoven sonatas (299901)

Prinzregententheater Tomorrow: Carol Vaness song recital. Fri, Sat: Bavarian State Ballet workshop (221316)

STRASBOURG

Strasbourg's summer music festival opens on Fri with a performance of Verdi's Requiem by Orchestra and Chorus of the Kiev Opera, who also give a Tchaikovsky concert on Sat and staged performances of Verdi's Nabucco on June 11, 12, 17 and 18. The festival, which runs till July 3, includes an Opéra du Rhin production of Cosi fan tutte and concerts (8832 4310)

STUTTGART

LUDWIGSBURG FESTIVAL

Fri: John Eliot Gardiner conducts concert performance of Le nozze di Figaro with the English Baroque Soloists, Monteverdi Choir and a cast including Bryn Terfel and Alison Hagley. Sun: Friedrich Gulda piano recital. Mon: Marilyn Horne song recital. Tues: Gulda and his Paradise Band. (7141-949610)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

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Thursday Sky News: Financial Times Reports 2030; 0130
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Sky News: Financial Times Reports 0530
Saturday Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
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Sky News: West of Moscow 0230; 0530
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Third time lucky

Andrew Jack on plans to exempt small companies from audits

Mr Peter Bumpas, managing director of Fabricators Steel Supply, a small steel supplier in Essex, has a simple attitude to the UK law requiring annual audits: "It is of no benefit to us."

If a radical consultation paper from the Department of Trade and Industry becomes law, the requirement could disappear. The paper calls for the removal of the statutory annual audit for about 250,000-300,000 companies with an annual turnover below £37,600 – the threshold for paying value-added tax.

Under the DTI proposals, company directors would remain responsible for maintaining financial records and filing annual accounts. But the verification of an external auditor would either be eliminated, or replaced by a "compilation report" requiring less scrutiny from accountants: in short, a statement that the figures comply with the requirements of UK company law. Shareholders would have unanimously to approve any decision to drop the audit.

The DTI has come under increasing pressure to lift the annual burden from small companies largely because of the costs to business and to accountants, who have to comply with a new audit regulation regime. Critics allege that the statutory audit is expensive and time-consuming. A study by Manchester University suggests the audit fee is 2 per cent to 4.5 per cent of turnover for small companies.

Under laws dating from the early 1900s, Britain's 1.1m limited liability companies – in which creditors can lay claim only to the assets of the business and not to the personal assets of the directors – must produce annual audited accounts.

An independent accountant, acting on behalf of the shareholders, is required to verify that the accounts prepared by the directors present a "true and fair view" of the company's financial position. However, the same auditing requirements apply to the largest quoted company and the smallest business.

Mr Bumpas's company falls into this latter category. Like most small company owners, Mr Bumpas is also the principal shareholder, and his auditor is also his book-keeper. So he hires his auditor to protect him (as a shareholder), and verify the accounts that he (as a director) has prepared in conjunction with his accountant (in his role as book-keeper).

Despite business drying up in the recession, Mr Bumpas is still required to have an annual audit. "I am paying my accountant £900 for nothing," he says.

That view is shared by Mr Neil Hamper, Mr Bumpas's accountant. "It is a nonsense," he says. "I would feel much happier if I was acting just as a small business adviser."

Such criticism helps explain why the abolition of the audit of smaller companies has been examined by the DTI twice before in the past decade. But on both occasions ministers rejected reform, in the face of

Critics allege that *the statutory* audit is expensive and *time-consuming*

opposition from bodies such as the Inland Revenue, banks and credit-rating agencies, which opposed any change that might be seen to affect the credibility of financial information.

However, a consensus seems to be emerging between some former opponents of change. The Inland Revenue says it has been consulted by the DTI over the proposals and its senior officials see the need to ease the burden on small business.

The British Bankers' Association has also been won over by the reform argument. "We can see the need to try to lift the requirement [for a statutory audit]," it said. "We welcome it." Banks, like the Inland Revenue, have more leverage over companies and can request detailed information about their financial position as a condition for loans.

Professional accountancy bodies have been split over reform in the past, but even the previously hostile Chartered Association of Certified Accountants admits that the smallest company would benefit more from spending money on business advice and book-keeping than on annual audits.

Pressure from the DTI, combined with the low exemption level, and the belief that small companies would still require the services of an accountant, has persuaded the association to change its position. Mr David Bishop, the out-going Acca president, says: "It seems a sensible attempt at reducing bureaucracy and lessening the hassle for the accountants operating in the market."

Support for reform has always come from business itself. Some view the DTI plans as not far-reaching enough. Mr Tony Miller, an accountant who is financial affairs chairman for the National Federation of Self-Employed and Small Businesses, says: "This is a step in the right direction but the plans are still far too restrictive." The Institute of Chartered Accountants in England and Wales, for instance, calls for exemption for companies with a turnover below £300,000.

Some strong opposition remains. Mr Terry Robinson, a vice-president of the Institute of Credit Management, warns that credit-rating agencies would resist the changes. He argues that without an audit, companies' figures would be less reliable, thus making an assessment of credit-worthiness more difficult, or in some cases, impossible. This in turn would make it more difficult for small companies to raise loans. "This will work against the best interests of small companies," he says.

Several industry observers believe that removing the need for scrutiny of accounts by an independent accountant could give rise to greater risk of fraud. The DTI devotes just a paragraph in its document on the likelihood of fraud, which claims that this danger is minimal in small companies. It adds that exemption from audit would not be permitted for small companies which are part of a larger group which could be used to hide illegal financial transactions.

With most traditional objectors now sympathetic to reform, regulations to raise the threshold required for an annual audit could be drafted within 12 months. Ironically, that would leave Mr Bumpas's company exempt just at the point when business could pick up and his turnover rises to the point where he would once more require an audit.

Frances Williams examines the growing debate over the effectiveness and priorities of the ILO

Soft bark and not much of a bite

The 163-nation International Labour Organisation, whose three-week annual conference begins in Geneva today has yet to find a firm foothold in the post cold-war world.

Created by western governments, employers and unions in 1919 to demonstrate the caring face of capitalism, in response to the newly formed "workers' state" of Soviet Russia, its aims include full and productive employment, a "minimum living wage", tripartism and collective bargaining, and basic social protection.

Yet today, as the latest ILO World Labour Report indicates, unemployment and poverty are increasing, child labour remains a scourge, and up to 33m workers are in forced labour, such as debt bondage where workers are trapped by debt to an employer. Health and safety conditions remain dismal in much of the world, as last month's fire in a Bangkok toy factory, in which more than 200 workers were killed, made tragically clear. In the western industrialised countries, trade union membership is declining and tripartism is on the retreat.

Critics from both left and right question the ILO's priorities, effectiveness and, in particular, the role of international labour standards. "The machine churning out conventions has gone mad," says one western government official. "There's no point in adopting more and more detailed conventions if they have no effect on labour conditions."

The ILO's 173 conventions and 180 recommendations cover basic human and worker rights – freedom of association, elimination of child labour and forced labour, non-discrimination – as well as detailed norms on health and safety, social security and wage determination. This year's annual conference is considering standards on prevention of serious industrial accidents and on protection of part-time workers.

But governments have no obligation to ratify conventions and there are no penalties attached to breaching them. Egregious violations of the most basic human rights – such as the murder or jailing of trade unionists – are punished by no more than a public rebuke. The ILO's worst sanction is the so-called "special paragraph", which singles out the country – last year, Sudan – for the attention of the annual conference.

The British government has been criticised eight times for violating the ILO's freedom of association convention, notably for its ban on unions at the Government Communications Headquarters in Cheltenham. Mr Marcello Malentacchi, general secretary of the International Metalworkers' Federation, warned in a speech last April that the ILO was in danger of being marginalised.

In addition, the ILO, which employs 1,800 people and has an annual budget of nearly $300m, has come under fire for its sluggish bureaucracy and cumbersome tripartite structure, in which employers and unions as well as governments are represented. Some argue that, as a result, the ILO has been slow to respond effectively to the globalisation of the world economy and changing patterns of employment.

There is also concern that the International Monetary Fund and the World Bank have been able to seize the initiative on labour issues in developing nations and in eastern Europe, often with scant regard for ILO principles of social justice, democracy and human rights.

The ILO is now embroiled in an important debate on its direction. The employers' side wants the ILO to place less emphasis on standard-setting, which it argues can hamper job creation, and pay more attention to promoting employment. Mr Jean-Jacques Oechslin, chairman of the employers' group, says the ILO should be helping with training programmes and encouraging improved labour mobility. "The biggest problem in industrialised and developing countries is employment," he says. "This can't be tackled by voting for conventions. It has to be done by action in the field."

Mr Eddy Laurijssen, director of the International Confederation of Free Trade Unions and secretary of the workers' group in the ILO, says that growing joblessness has often coincided with falling employment standards. He says the ILO should be pushing social issues to the top of the international agenda, especially with the IMF and World Bank, and making standards more effective.

Mr Michel Hansenne, the ILO's Belgian director-general, who was last week re-elected for a second five-year term, says standards are the backbone of the organisation and must remain so. He concedes, however, that with the excep-

'There's no point in adopting more conventions if they have no effect on labour conditions'

tion of the 15 or so core human rights standards, such as freedom of association, these need not always take the form of international conventions.

He also defends the ILO's preference for measured disapproval of rule breaches and behind-the-scenes persuasion. "I don't think it would be wise to transform ourselves into a public accuser," he says. Countries would lose confidence in the ILO and might prefer to denounce conventions rather than be pilloried for breaches of them.

Nevertheless, critics compare the organisation's quietly launched "global offensive" against child labour, which may affect 100m to 200m children worldwide, with the high-profile campaign by Unicef, the UN children's fund, for a consumer boycott of carpets made by children.

In the US, trade preferences can be withdrawn from countries which abuse worker rights and there are moves in Congress to ban all imports of goods made by children. The workers' group in the ILO wants the organisation to back a "social clause" in the General Agreement on Tariffs and Trade which would permit trading partners to impose trade sanctions on countries which exploit their workers and thereby gain competitive advantage.

Mr Hansenne points out that from the start the ILO's role was to combat "social dumping" by setting international norms but says the Gatt social clause debate is in danger of confusing two different issues.

The first, of central ILO concern, is whether a new mechanism is needed to enforce basic human rights standards worldwide. Such a social clause in the Gatt would include, for example, the ILO's core standards (such as freedom of association and elimination of forced labour) that embody universally accepted fundamental human rights.

The second is what international fair competition rules there should be in an open trading system, and the extent to which these should cover labour conditions such as minimum wages or social security protection. This debate, while important, does not relate to enforcement of ILO norms, says Mr Hansenne.

Meanwhile, the ILO has already embarked on reorganisation to try to improve its effectiveness. Technical assistance is to be tied more directly to the promotion of standards. And the organisation is moving "closer to the customer" with its so-called "active partnership" policy. This seeks to promote agreements among governments, unions and employers on priorities for labour and social policies and technical assistance in each country.

In a linked move, the first of 14 regional teams has been set up in Budapest to help the ILO cope with burgeoning demands from central and eastern European countries. These demands range from assistance in setting up tripartite industrial relations structures, to helping establish labour exchange networks and drafting social security legislation.

The debate on the organisation's future will culminate next year when the ILO celebrates its 75th birthday, and the 50th anniversary of the Declaration of Philadelphia, which elaborated its constitution. By the time of the World Summit for Social Development in 1995, Mr Hansenne hopes a rejuvenated ILO will show the way towards a "new world order" which can marry economic development with respect for human rights. But to exert greater influence on governments and employers, the ILO will have to define its role more clearly and be prepared to make its voice heard.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Computer market

From Dr M E R Robinson.

Sir, I was encouraged to read ("Dispute over future of stock dealing system", May 29/30) that the Stock Exchange is considering a computer system which would eliminate the need for marketmaking.

At present, marketmakers appear to believe it is acceptable to charge wide bid-offer spreads on securities such as penny shares and warrants, arguing that they can't make a profit on a relatively large variety of low-volume transactions. Perhaps a computer can make a profit in such a situation?

M E R Robinson,
26 Fairfield Close,
Grove, Wantage, Oxon

Road tolls should release funds for investment in railways

From Mr David Howell MP.

Sir, Both a return to private railway operation and the tolling of motorways make sense as component parts of a new transport strategy, but the transport policymakers seem badly confused about how to fit them together.

Ministers tell us that the tolls are needed to provide extra resources for road building. Meanwhile the railway infrastructure continues to be denied the extra capital required for a real renaissance, with all the talk of finance for railway expansion (if any) coming from higher fares being charged by private operators.

Such a prospect will make rail travel still more unattractive *vis-à-vis* roads, and it has already compelled the government to promise concessionary fare protection and tight fare regulation under pressure from understandably nervous backbenchers.

This whole policy sequence needs to be put into reverse. Railway privatisation should be an opportunity to drive down sharply the cost of rail and freight travel.

This means investing in new rail infrastructure on criteria comparable to those used for roads. This in turn would begin creating the business conditions for the new franchisees in which much higher and more competitive rail services could be delivered, and expanded on both new and disused lines. Then and only then will the pressure on roads start easing.

The new money raised by motorway tolls should release funds for this benign and coherent purpose – not for accommodating still more refugee traffic from ever more expensive railways.

David Howell,
(secretary of state for transport 1981-1983),
House of Commons,
London SW1A 0AA

Lloyd's Names should not have to bear burden of losses twice

From Mr Michael J Wade.

Sir, With reference to Mr Gurney's letter (May 27) in relation to Lloyd's, the fundamental point, with which he seems to agree, is that a growing and profitable Lloyd's market is in everyone's best interest.

However, before Mr Gurney pursues his misjudged demand for an extraordinary general meeting of members (quite besides the unnecessary expense and effort, as there is an annual general meeting already scheduled for June 22) I hope that he would consider these two important points.

First, a suggestion that 25 per cent of future profits earned by corporate Names should be "taxed" by the Society of Lloyd's and credited to its 1980s membership would almost certainly deter any new corporate capital entering the market. It has already been suggested that a levy of 1.5 per cent on capacity be made on corporate Names which, if the profits are 10 per cent on capacity, levies a 15 per cent charge on profits. In addition, Lloyd's itself is proposing a bidding system for capacity on top of this charge the combination of which brings into question whether new capital is better supplied to Lloyd's syndicates or to other London insurance entities.

Second, before seeking to demand a proportion of future profits, both Mr Gurney and Lloyd's should understand that some proportion of this "corporate capital" will be supplied by individuals who, like myself, have already suffered those same very heavy personal underwriting losses but who might choose to underwrite in future through an incorporated Name route – why, then, should that category of incorporated Name have to bear such a heavy burden twice?

Michael J Wade,
chief executive,
Corporate Lloyd's Membership,
146 Fenchurch Street,
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Czech trade minister seeks fairer access to Community markets

From Mr Vladimir Dlouhy.

Sir, When Czechoslovakia – now the Czech Republic and Slovakia – escaped from communism at the end of 1989, it faced an enormous task of political and economic transformation. Now, after more than three years, it is clear that the Czech Republic has performed better than expected. Despite the dissolution of the federation and the consequential setbacks, macroeconomic stability prevails and the privatisation process is progressing satisfactorily. All this is the result of enlightened economic reform combined with political commitment.

Nobody denies, however, that there are many challenges and obstacles yet to be overcome.

It is accepted that the Czech Republic is not yet ready for full EC membership; clearly, this will take some time. But it is starting to appear that the Czech nation may be institutionally and economically prepared for membership sooner than the EC is prepared to receive it. Although time is not the biggest issue, the real problem appears to be the Community policy in the interim period.

The real issue is trade. The Association Agreement improved substantially the access of Czech goods to EC markets, although in recent months a substantial slowdown is being observed. It is noted that sensitive commodities, such as agricultural products, steel and textiles, remain serious obstacles.

The EC and others should accept as a reality that there are sensitive commodities where countries in central Europe have short-term comparative advantages and that such commodities are neither subsidised nor dumped. Economic recovery is simply stifled if fair trading access is not assured, for trading is really the only long-term effective aid. Professor Anne Kruger, ex-World Bank, articulates this very conflict in her excellent, recently published book, Economic Policies at Cross Purposes: United States and Developing Countries.

Ready access to neighbouring markets for the Czech Republic is becoming the imperative for the priming of economic growth while at the same time one of its greatest impediments.

With respect, the Community will probably need its own structural and economic reforms, for this cannot be a one-sided process left solely to the post-communist economies. It may be, of course, that we all need further social and political reform as well, including changes in perception of the political cycle. In particular, pampered pressure groups, such as farmers, miners, steelworkers and others, should not be so attentively heeded just because of pending elections in this or that country.

A profound change in economic policies, abandoning what are sometimes disastrous subsidies, will finally release all of us from this vicious circle of short-term political expediency. This crippling economic-political cycle, in which the west, in particular, now finds itself, will simply have to be broken before further progress for Europe as a whole can be achieved.

Vladimir Dlouhy,
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Poland on a detour

FOR 11 months Ms Hanna Suchocka, the Polish prime minister, gave the impression that Poland had found a new political stability. This was a tribute to her political skills and the competence of a handful of ministers, particularly in the finance and privatisation ministries.

Yet the seven-party coalition was always a minority government. It could not even count on all the 186 votes of its members in the 460-seat lower house. This was due to the political differences between the two core parties in the government, Ms Suchocka's Democratic Union and the Liberal Democrats, on the one hand, and the smaller catholic and peasants' parties, on the other.

The government lost Friday's no-confidence motion because just a handful of coalition votes was not cast. The initial reaction, written on Ms Suchocka's face, was dismay. She had repeatedly told parliament that it would be irresponsible to bring down a government committed to economic reform without any alternative in sight. Poland, she argued, needs political stability to persevere with tight fiscal and monetary policies and retain foreign financial support. At home, Poland must implement a series of reforms, including a new tax system, bank restructuring and privatisation, if it is to make its incipient economic recovery sustainable.

Parliament ignored these warnings. In response, President Lech Walesa opted to dissolve parliament and called on Ms Suchocka to lead a caretaker government until elections can be held this autumn, probably in September.

Poland faces three or four difficult months. But there are reasonable grounds for believing that these early elections could turn out to be a blessing in disguise.

More stable

For a start, Mr Walesa has indicated that he will sign the new electoral law, passed by parliament shortly after the no-confidence vote, in time for the elections. The new, German-style electoral barrier means that smaller parties which fail to obtain 5 per cent of the vote will not gain representation. This should make it easier to form more stable coalitions.

As important, Mr Walesa signalled his support for the outgoing government's tough fiscal stance by vetoing a 21,000bn zloty (£840m) bill for increased pensions. Parliament had approved the package in the face of government objections that it would breach the budget deficit limit of 5 per cent of gross domestic product, which was agreed with the IMF in return for a $660m standby agreement.

High rating

Mr Walesa, an intuitive politician, has evidently been impressed by the high rating given to Ms Suchocka in opinion polls. Apparently, at least 60 per cent of the electorate understand the need for sacrifices if Poland's transition to market democracy is to be sustained. These are the people who have either benefited or see prospects of benefiting from the transition process. While industrial output has slumped 40 per cent since 1989, they have also seen an explosion of private business, an internally convertible currency, full shops and latterly even a recovery of industrial output from both state and private firms.

Unfortunately, around 40 per cent of the electorate feel excluded. Their numbers include many favoured by the old regime, like steelworkers and coalminers, or protected, like farmers, teachers and other public sector workers. In these groups are those who have suffered most from high inflation and rising unemployment. Not surprisingly, these people also resent the wealth flaunted by the newly rich.

This dichotomy is to be found in all the post-communist states. The only way of dealing with the problem is to combine sustainable economic growth with high employment and a financeable social safety net. The EC could help by opening markets. Also beneficial would be a reduction in Poland's $12.1bn commercial bank debt, which would stimulate greater foreign investment. But there are no short cuts, as the majority recognise. They need to maintain support for the parties pledged to continue the reform which is now showing its first fruits.

For whom the motorway tolls

MR JOHN MacGregor, Britain's transport secretary, should be congratulated for his nerve. Only a day after narrowly avoiding a House of Commons defeat over railway privatisation, he proposed last Wednesday another potential political hot potato – motorway charging.

Although the idea has some theoretical appeal, Mr MacGregor will have to work hard to make it politically acceptable. He also has yet to make a convincing case that motorway tolls are an economically sensible way to raise more money from motorists compared with the much simpler alternative of putting up fuel taxes – an option which receives barely a mention in his discussion paper.

The attraction of motorway charging is twofold. First, it could lead to a more efficient allocation of resources within the economy. So long as roads are free at the point of use, motorists will have an artificial incentive to drive rather than using railways or not travelling at all. It may also be right to impose higher charges on road-users to take account of the full costs to the community of motoring, which include congestion, noise and pollution as well as building and maintaining roads.

Second, unless motorways can produce an extra stream of income, the government argues that public-spending constraints will prevent new roads being built as quickly as desirable. Similarly, without a source of income, it will be difficult to privatise the motorways or franchise parts of the network to private sector companies.

But annual motorway permits and electronic tolls – the methods of charging currently favoured by the government – have drawbacks. It is hard to see any merit in permits, since motorways would still be free at the point of use and so nothing would be done to promote a more efficient allocation of resources.

More pollution

There are also snags with electronic tolls. They would distort road usage since only motorways would be covered. As a result, traffic would be diverted on to secondary roads bringing more noise, pollution and accidents to Britain's towns and villages. Even with a charge of 1.5p per mile – which would only raise £700m a year – the government estimates 10 per cent of traffic would be diverted off motorways. There could also be substantial costs in building and operating an electronic toll system, although Mr MacGregor's paper makes no attempt to quantify them.

Moreover, the government has yet to make a case that congestion is a widespread problem throughout the motorway system. Britain does have a road congestion problem, but it is most acute in city centres – particularly London. The case for urban road-pricing is strong, but is not dealt with in this week's discussion document.

Extra money

Increasing fuel taxes would face none of the drawbacks of motorway tolls. There would be no traffic diversion since taxes would cover all roads, not just motorways. Moreover, collection costs would be minimal given that there is already a system in place.

The main snag with higher fuel taxes from the government's perspective is that they would not obviously help promote the second objective of preparing the motorways for privatisation. The danger is that the extra money would be grabbed by the Treasury to finance the general budget deficit instead of road-building. But this is a danger also faced by motorway tolls. And, if it can be solved by establishing a separate fund far from the Treasury's clutches, it is not obvious that the same could not be done for a proportion of fuel taxes.

Moreover, the government has yet to produce persuasive arguments that there will be substantial efficiency gains from privatising motorways. The private sector already builds and maintains the roads under contract. There may well be benefits in redrawing such contracts so that private operators bear more of the risk. There could also be advantages in hiving off the motorway network into a public corporation separate from the Department of Transport. But neither move would require an elaborate system of motorway tolls.

To be fair, the government's proposals are not set in stone but are designed to launch a "wide, informed and vigorous public debate". Good.

Hard pedalling on the comeback trail

The Big Three US carmakers are clawing back market share from the Japanese, writes Martin Dickson

Honda, the car company which for years symbolised the Japanese threat to America's automotive industry, is suffering a dismal year in the US. Chrysler, which used to be regarded as the weakest of Detroit's Big Three vehicle manufacturers, is enjoying an extremely successful one.

The shift in fortunes underscores a significant change in the dynamics of the US automobile market: Detroit, having spent more than a decade losing ground to seemingly invincible Japanese competitors, is starting to claw back market share. It still has a long way to go.

General Motors, the biggest US company, is restructuring, but it is still extremely inefficient compared with its rivals. And the US revival is due in no small measure to special factors, which could prove temporary. One of the most important is the strength of the Japanese yen, which has made most American cars substantially cheaper than their Japanese rivals.

Yet there is probably greater optimism in Detroit now than at any time since the early 1980s, when the Japanese began capturing a larger and larger slice of US vehicle sales by manufacturing at plants in the US – their so-called "transplant" factories – as well as exporting from Japan.

Mr David Cole, a motor industry specialist at the University of Michigan, says the American industry is improving a lot faster than many experts had forecast. "It's like a chemical reaction. You put in nine ingredients and nothing happens. You add a tenth and there's an explosion.

"The idea of the 1980s – that it was just a matter of time before the Japanese conquered the world – may not be accurate," he adds.

Take Honda, for example. It is only Japan's fourth-largest vehicle manufacturer, but it has occupied a particularly important position in the US since 1982, when it became the first Japanese company to set up a US manufacturing operation.

That, and the reputation of its cars for quality and fuel efficiency, allowed it to oust Chrysler in 1991 from its long-time position as the third-largest selling car company in America.

Now, however, Honda's share of the US car market has shrunk from 9.8 per cent in 1991 to 7.5 per cent in the first four months of this year. Its ageing Accord mid-sized vehicle, which for three years until last autumn was the top selling car in America, is now only the ninth most popular, and Honda has begun offering discounts to dealers to boost sales.

To cap it all, the Federal Bureau of Investigation is investigating allegations that some Honda dealers paid bribes to Honda company employees in the 1980s to win franchises and to secure adequate supplies of the company's vehicles.

Honda is still an important force in the US market, with a core of loyal customers, and its sales may revive in the autumn when it brings out a remodelled and more powerful version of the Accord. But the current difficulties have tarnished its once golden aura.

Compare that with Chrysler, which just three years ago seemed in such dire straits – financially stretched, lacking strong new products – that many analysts believed it could not long survive as an independent company.

But it has staged an extraordinary comeback, thanks to fundamental changes in the way it develops new vehicles, a rigorous clampdown on costs and, most important, a range of exciting new models.

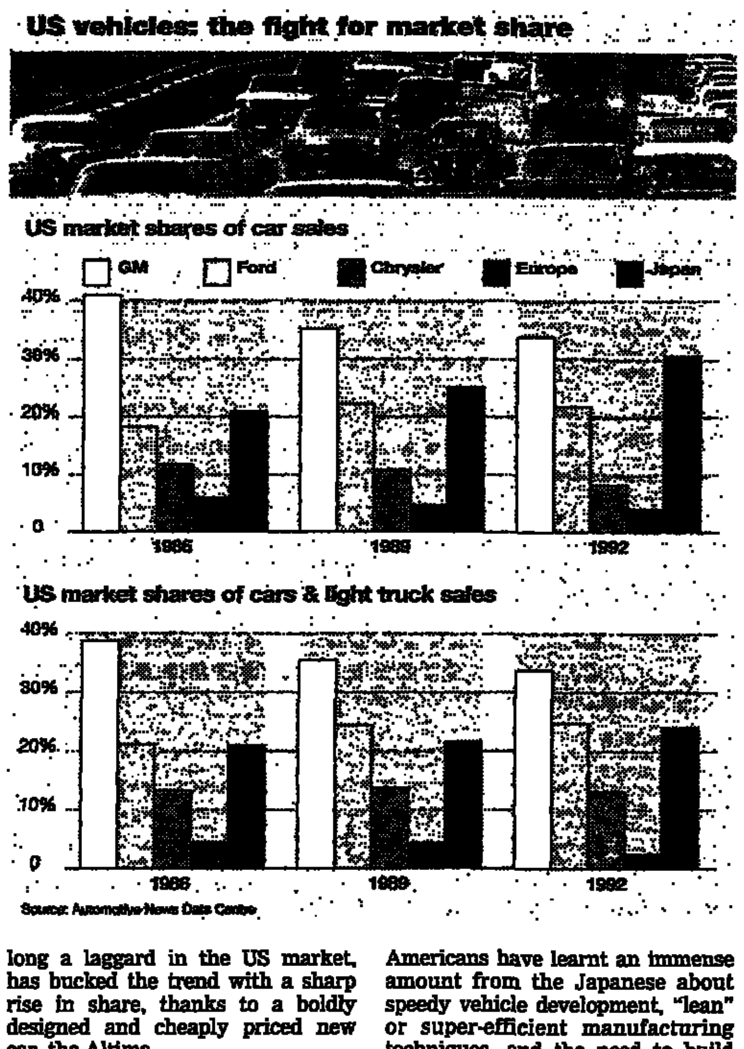
Its share of the car market has soared from 7.9 per cent in the first four months of 1992 to 10.3 per cent this year, thanks mainly to its innovatively designed, mid-sized "LH" vehicles – the Chrysler Concorde, Eagle Vision and Dodge Intrepid.

The LH range seems to be winning over a substantial number of motorists who previously bought foreign cars. It is also selling well in one of the most crucial segments of the market – among the youngish, fashion-conscious, more affluent buyers, who deserted the Big Three in droves in the 1980s.

Chrysler provides the most startling example of Detroit's revival, but Ford has also been increasing its market share, and even General Motors, while still losing share, can point to a number of successes that offer rays of hope for the future.

For example, Saturn, the small car project GM began in the 1980s to try to show that America could compete using the most modern manufacturing and sales methods, is producing one of the country's hottest selling vehicles, with a particularly high reputation for quality.

Nor is Honda the only Japanese manufacturer to suffer a setback in sales. The market shares of Toyota and Mazda are also down significantly this year, although Nissan,



long a laggard in the US market, has bucked the trend with a sharp rise in share, thanks to a boldly designed and cheaply priced new car, the Altima.

The upshot is that the Big Three's car market share rose from 65 per cent to 67.7 per cent in the first four months of this year, while sales of Japanese branded vehicles dropped from 29.6 per cent to 27.2 per cent.

Adding in light trucks, the Japanese total is down from 24.3 per cent to 21.9 per cent, with the Big Three up from 72.2 to 74.9 per cent. Chrysler and Ford have been much more adept than their rivals at designing hit vehicles in the fast-growing markets for mini-vans and sports utility vehicles, which are classified as trucks.

Why the change? First, the Americans have learnt an immense amount from the Japanese about speedy vehicle development, "lean" or super-efficient manufacturing techniques, and the need to build the highest quality into their products.

Chrysler, for example, radically changed the way it operates after studying Honda. It set up close links with suppliers, which are brought into discussions early in the development of a new vehicle, and it created new teams, bringing together disciplines like engineering and design, to work together on the development of models.

Japanese vehicles still tend to lead American ones in quality surveys: Toyota, Nissan and Honda occupied 10 of the top 12 slots in a study of vehicle quality released last week by J D Power & Associates, a consultancy firm.

But the quality gap between US and Japanese companies has narrowed to the point where consumers are prepared to give greater weight to other factors, such as styling, price and dealer service.

And on price the Americans are at present far more competitive. The Japanese manufacturers have repeatedly raised prices in recent months to offset the appreciating yen, which has risen 16½ per cent against the dollar since the start of the year.

In the past, strong financial results at home allowed the Japanese to be more flexible with US prices, but the sharp downturn in their domestic market has eliminated that luxury. Japanese cars are now on average $2,300 more expensive than American equivalents.

At the same time, President Bill Clinton's tough trade rhetoric, and the problems at General Motors, may have encouraged the Japanese to temper their previously aggressive expansion in the US – at least for the time being. They will not want to antagonise Democrat Congressmen, who are threatening to press for the current 25 per cent import duty on trucks to be extended to all sports utility vehicles and mini-vans.

None of this means that US auto makers can afford any complacency. Trade and currency factors can change quickly, and a recovering Japanese economy will eventually give the Asian companies a firmer financial footing. The Americans, for all their improvements, still suffer some big disadvantages relative to the Japanese transplants. For example, observers reckon that they have to pay on average $600 to $700 a vehicle more for workers' health insurance than the transplants, with their younger labour force.

The US companies also face delicate negotiations in the next few months with the United Auto Workers' union over a new labour contract, which is likely to focus on health costs and companies' freedom to cut jobs. The transplants, by contrast, are generally non-union shops with more flexible labour forces.

Above all, General Motors' new management team still has a long way to go in its battle to cut costs, produce cars Americans want to buy, and earn a reasonable return on its capital.

But at the very least the market upheavals of the past few months have taught Detroit that it can be a winner, and that the Japanese are by no means invincible. There might be an important lesson here for the Europeans.

Search for solution to UK pay puzzle

PERSONAL VIEW

Profound changes have occurred in the British system of pay determination in the last decade. Despite this, the government has had to create some 3m unemployed to get wage settlements down. Once unemployment really starts falling, it is unlikely that Britain will continue to enjoy many nominal settlements of 3 per cent and less.

Many fewer employees are covered by collective bargaining now than 10 years ago. Then, nearly three-quarters had their pay set by bargaining. Now that figure is less than half, and collective bargaining no longer dominates. Hand-in-hand with this decline, union membership has haemorrhaged, the closed shop is almost extinct, and, where collective bargaining remains, almost all employees are now covered by single employer agreements. In recent years, also, national agreements have been abandoned in a diverse range of sectors and, simultaneously, the fragmentation of bargaining inside the company has been moderated: most multi-plant employers now bargain at company rather than workplace level.

Decentralisation of bargaining towards the organisation level is also taking place in the public sector.

These alterations all strengthen the link between pay and the performance of the individual employee and the fortunes of the company. Merit pay, employee share ownership schemes and profit sharing have all spread rapidly.

Finally, virtually all comparability machinery and protection for the low paid have been axed.

The government has achieved almost everything it set out to do concerning Britain's system of pay determination. This has produced important gains in efficiency.

But the plain fact is that the pay/jobs trade-off has not improved in the way that free market economists led us to believe that it would. During the whole of the 1980s the rise in average annual earnings never fell below 7.5 per cent. And between 1983 and 1990 real earnings growth for those in work was a record high.

It is only in the last couple of years – as unemployment doubled – that the pay outcomes changed. Pay settlements plummeted. The independent research body, Industrial Relations Services, puts average settlements at 3.6 per cent, only half the figure of a year ago.

Once recovery gets under way and unemployment falls, pay settlements will surely edge up again

Higher unemployment meant job losses and falling profits in the private sector, both of which traditionally lower pay inflation. In engineering, a staggering 207 settlements out of 346 reported between November and January were either frozen or deferred to later in the year.

Higher unemployment, coupled with the decline in union presence, has also led to a huge widening of the pay distribution. Earnings are much more unequal now than they were in 1960.

Once recovery gets under way and unemployment falls, pay settlements will surely edge up again. Company profits will rise, skill shortages will bid up pay and public sector employees will wish to recoup recent real wage losses.

Employers increasingly use pay as a management device to elicit effort, commitment and teamwork in the company. Earlier this year – in the trough of the present recession – Imperial Chemical Industries paid its 20,000 manual workers 14.5 per cent in return for sweeping changes in working practices. So the need for greater flexibility at work will also lead to higher average pay rises in the mid-1990s than are being enjoyed at present.

The British pay predicament – how to get low settlements and rapid employment growth – remains intact. The pay conundrum only appears to have been solved because of the tragedy of nearly 3m unemployed.

Almost no one would advocate a return to the old corporatist arrangements of the 1970s. But the Treasury and the Department of Employment must work much harder to establish a consensus on what pay increase is affordable. This process should start now. The Seven Wise Men who comment on Treasury performance might be asked to advise on sensible settlements. The CBI should then emphasise this advice in its own excellent pay briefing mounted for members each autumn. The employment department could contribute too. Why not convene an annual forum involving the largest 50 private sector organisations to discuss the recommendations of the wise men?

Consensus building involving the social partners will involve some modest changes to Britain's institutions and pay processes. But without it, inflation will inevitably return.

David Metcalf

The author is professor of industrial relations at the London School of Economics

OBSERVER

Dogged from the outset

■ If the eyes of the Dulux Dog, *the famous mascot of* ICI paints, were going to go on the blink, it is hard to imagine a worse time. Just as the newly slimmed down ICI is trying to prove that it is a fit and healthy corporate animal, it has had to issue a nationwide recall of its 30,000 offspring before their eyes pop out.

Admittedly, the one-foot-high Dulux Dogs in question are only cuddly toys which were sold to raise money for charity and, understandably, ICI is worried that children might swallow any offending eyes which fall out. Even so, the symbolism of the recall has knocked a bit of the gloss off the new-look ICI.

After all, chairman Sir Denys Henderson has starred in ICI adverts alongside the real Dulux dog, and chief executive Ronnie Hampel keeps a life-size imitation in his office. It sounds as if the cost of renewing the eyes of the poor dumb mutts will probably exceed the sums raised for charity.

Anti-social

■ Tory ire at the EC 48-hour working week would make the modern party's forebears blush. Last century, it was the conservatives, galvanised by the likes of Disraeli and Lord Shaftesbury, who were keen to introduce legislation protecting the labour force from potentially exploitative factory owners. Even the arch-Tory Lord Salisbury, as prime minister, introduced a fair wages resolution – now repealed – to prevent local authorities contracting out work at miserly levels. It was left to the *laisser-faire* Liberals to fret over how such laws would eat away at the country's industrial competitiveness.

Bragging

■ Who better than Melvyn Bragg, pal of ex-Labour leader Neil Kinnock and presenter of ITV's South Bank Show, to host yesterday's How to Become a Millionaire book promotion organised by Faber & Faber, the upmarket publishing house. Given that Bragg stands to make £2.2m on his £22,000 investment in London Weekend Television, he ought to know a thing or two about playing games where lots of money is involved.

What did he think of the odds of a Faber contestant picking the one book in a hundred containing the £1m check at yesterday's event? Bragg's view is that the odds on the Faber winner, Nikki Llewelyn, making loads of money, were better than his own had been. Even if she failed to win the £1m (which she did), she was still guaranteed a £10,000 prize. "We would have lost everything if PolyGram [a rival franchise bidder] had got its act

together," says an unrepentant Bragg, who admits that he inherited the gambling spirit from his Dad who rarely goes a day without placing a bet.

Burnside issue

■ The Burnside call sign is clearly a passport to prominence in aviation public relations. No sooner has David, the erstwhile PR director of British Airways, set up David Burnside Associates, than fellow Ulsterman, Alan, of the confusingly named Alan Burnside Associates steps in to run PR for the sale of Belfast Airport. There are not a lot of Burnsides in Northern Ireland, but DB, who says that he had toyed with the idea of calling his outfit Burnside Associates – or BA for short – says he's not related to AB. They are not even members of the same lodge.

Royal reject

■ Pity Yasuyuki Tatsumi, the furniture-maker based in western Japan who delivered three gilded chests to Masako Owada, the country's princess-to-be, only to have them rejected.

Miss Owada ordered three wooden chests from Tatsumi in February to bring with her after the royal wedding next week. In spite of polite refusals by the thrifty Owada, Tatsumi insisted on lining the chests with 1,500 sheets of 15 square centimeter gold leaf on each chest, giving a press conference before delivery.

Now the Owadas have asked television stations, which last week reported the gift, to set the record straight. There is no word yet on Mr Tatsumi's alternative plans for his Y30m chests.

Lightning strike

■ Patrick Nicholls, the newest of the Tories' vice-chairmen, is either a brave man or a fool. Just as his fellow Tory MPs are trying to persuade their constituents that putting value added tax on domestic fuel and increasing national insurance contributions are not incompatible with the government's election promises, Nicholls is threatening the party faithful with the unthinkable.

While other backbenchers have been preferring to canvass the options of extending VAT even further or raising corporation tax, Nicholls, who has special responsibility for campaigning, has vigorously denied the idea that any increase in income tax would be "a shame and embarrassment" given the government's stated objectives.

"A government which brought the top rate of income tax down from 98 per cent to 40 per cent need not be embarrassed if for a temporary reason it has to go up slightly," he insisted on BBC radio yesterday. Perhaps he needs to brush up on his campaigning techniques. Despite his vehement denials that any such course was planned, his interview left the impression that he had been softening up opinion for the move.

Unofficial title

■ Observer has already commented on the suitability of having a Shephard running the Ministry of Agriculture, but Dr Jeremy Toner of Leeds University has spotted a much more obvious connection in David Hunt's promotion. Given the propensity for people of Welsh extraction to be referred to by their occupation as well as their name, will the new secretary of state for employment be known as Hunt the Job?

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Aznar refuses to spell out policies in Spanish debate

González floors his tormentor

By Peter Bruce in Madrid

LIKE a man slipping down a slope, Mr Felipe González put a hand out on Monday night and at last found something to hold on to.

Running second in the opinion polls and with just four days left to campaign before the snap election on June 6, Spain's prime minister for the past 11 years desperately needed his conservative tormentor, People's party leader *Mr José María Aznar, to make a* mistake in public.

On Monday night he did. During a crucial televised debate Mr Aznar did not get a figure wrong or contradict himself; he simply refused, repeatedly and in front of more than 12m people, to say what he would do if he won the election.

Where were the policies? Mr Gonzalez asked over and over again. The repeated and grave *reply* was that Spain needed a restoration of confidence to generate savings that would create jobs.

"*Obviously* that is what *Spain* needs," retorted Mr González at one point. "But how? All you seem to ever do is solemnise the obvious."

This was a different Felipe González to the tired figure Mr Aznar was able to walk over in their first debate a week earlier. He was slippery and much more nimble than the conservative leader, and even the fiercely anti-González newspaper El Mundo said yesterday morning he had beaten Mr Aznar.

"A whip-like Socialist leader insisted that Aznar say how he was going to solve the economic crisis, what he was going to do about unemployment .... José María Aznar did not survive the attack," wrote an El Mundo columnist, Mr Raul Heras. "He should have set aside his script and improvised, but he still does *not know how to.*"

It was not a pretty sight. Mr Aznar, who left the building in a hurry after the three-hour debate, seemed to become visibly younger as the night wore on. Had he been 51, like Mr González, that may have been no bad thing. But he is only 40. Whoever it is who has trained him to laugh and snigger while an opponent is talking to him was on to a loser. Mr Aznar even laughed while he was, perhaps *because* he was, losing arguments, and it made him look like a schoolboy.

The debate was a revelation because, while Mr González was equally vague about what he would do to get Spain out of its recession, *it also demonstrated* his ability to think on his feet, it seemed to expose a hitherto hidden weakness in Mr Aznar – the fact, as El Mundo pointed out, that he struggles to improvise under pressure.

Spain will have taken note, and there is no doubt Mr González will have succeeded in persuading many hundreds of thousands of undecided former *Socialist votes to stay away* from the PP and, perhaps, return to the fold.

At a national level, the debate may even have been enough to enable the Socialists to draw level again with the PP, *which*, according to a poll in El Pais at the weekend, was leading by about four seats in the Cortes, Spain's parliament.

But the rot in the Socialist tree at a provin*cial level, where* the votes are counted, may be too far gone. Under Spain's rigid system of proportional represen*tation, one vote can* decide the fate of a series of seats in parliament and voters have to vote for one party, not *individuals. While Mr González* leads in personal polls, the divided Socialist party is nowhere near as attractive to voters.

Mr González never even mentioned his party during the debate and, oddly, Mr Aznar never even tried to force him to.

The playing field is level again (though that, in itself, is a big defeat for the prime min*ister, who currently has a par*liamentary majority). Instead, Mr González has been allowed, at the last minute, to make the election a personal affair and to dare the country to sack him.

It has worked before and Mr Aznar's *performance* on Monday will not have made the alternative very attractive.

Forced departure of Cosic adds to Yugoslav instability

By Kerin Hope in Belgrade

THE SUDDEN departure of Yugoslavia's president Dobrica Cosic, forced out of office by the federal parliament, has raised fresh doubts about political stability in the rump state of Yugoslavia, which consists of just Serbia and Montenegro.

Mr Cosic, *defeated* in a no-confidence motion brought by radical Serbian deputies, was accused in the chamber of holding a secret meeting with Yugoslav federal army leaders on the country's constitutional future.

In a vote early yesterday, rushed through at the final session of parliament before the summer recess, deputies from the ultra-nationalist Serb Radical party headed by Mr Vojislav Seselj were backed by the ruling Socialist party of Serbian president Slobodan Milosevic.

Mr Seselj claimed in parlia*ment that the federal president* had also held secret negotiations with Croatia over the Serb-held region of Krajina, and was willing to carve up the Serbian province of Kosovo – where 90 per cent of the population are ethnic Albanians – with neighbouring Albania.

Mr Cosic, a leading Serbian writer who used to promote the idea of a Greater Serbia, was not present in parliament and did not issue any statement.

Political analysts said Mr Milosevic appeared to have sacrificed Mr Cosic, formerly a close political ally, in the hope of ensuring his government's survival in another no-confidence vote, due to be held later this month in the Serbian parliament.

Without the support of hardline Serbian deputies, the minority socialist government, which is accused of failing to address a disastrous economic situation, could be toppled.

Mr Milosevic had recently seemed to distance himself from Mr Seselj, a fierce opponent of the Vance-Owen peace plan for *Bosnia, by adopting a more con*ciliatory position.

Although he refused western requests to deploy United Nations monitors along Serbia's border with Bosnia, Mr Milosevic promised to prevent the Bosnian Serbs being supplied through Serbia with fuel and weapons.

However, Serbian petrol tankers still cross the bridge at Sremska Raca, the main border crossing with Bosnia.

Mr Milosevic is likely to face increased opposition in Montene*gro as a result of ousting Mr* Cosic. Montenegrin deputies from all parties spoke in favour of Mr Cosic during the debate.

The Montenegrin government, already resentful because UN sanctions have damaged its economy more seriously than that of Serbia, is taking a more independent stand. Montenegro has said it is willing to accept UN monitors along its border with Bosnia.

"This vote is to be interpreted as a victory for the hardliners. It has opened the way for very dangerous developments in Montene*gro," said Mr Dragoslav Micu*novic, a democratic opposition leader.

Danes killed in Bosnia, Page 3

UK faces £18bn bill to scrap nuclear facilities

By Bronwen Maddox and Michael Smith in London

THE TOTAL cost of scrapping the UK's civil and some military nuclear facilities could be £18bn ($27bn), according to a National Audit Office report to be published on Friday.

The report, which is the most comprehensive study of UK decommissioning costs to date, will raise fears that the taxpayer might have to bear a heavy burden and will deepen the controversy surrounding the future of Britain's nuclear industry.

Government officials are worried that a parliamentary committee which will assess the report on June 30, could judge that not enough money will be available to pay for decommissioning on present plans.

Nuclear plants have a limited lifetime and safely dismantling them and storing the radioactive waste is one of the industry's biggest future costs.

The nuclear industry is likely to use the report to argue that it needs more new stations to provide revenue for decommissioning those going out of service. It may also use the report to lobby against a reduction in the *nuclear levy, paid by electricity* consumers and worth more than £1.2bn a year.

The industry also wants to persuade the Department of the Environment that it should be allowed to take at least 135 years to decommission nuclear facilities instead of 100 years, a move that will provoke fierce opposition from environmental groups.

The report comes just months before the government's review of the nuclear industry. Friends of the Earth, the pressure group, says in a report this week that it fears the review may not consider who will pick up the bill for decommissioning. It believes the full costs could be £30bn.

The nuclear industry is likely to argue, however, that the figures are not discounted to reflect the fact that much of the spending will not take place for decades and that the true amount needed will be much lower.

The industry is also likely to welcome the report's suggestion – based on an independent engineering assessment – that nuclear companies have estimated the costs prudently and that technological improvements may bring estimates down further.

However, the report throws a spotlight on the thorniest of the decisions facing the government's nuclear policy – the timing and method of decommissioning. This is central to the question of whether cashflow from the industry will be adequate to cover decommissioning.

ADT lines up $1.3bn refinancing

Continued from Page 1

holders of preference shares who are likely to demand payment under "put" options. It also deals with $750m of debt repayable through 1995.

ADT hopes the refinancing will end a turbulent period in which the company's market value has fallen by nearly two thirds from a high of £1.8bn ($2.8bn) in 1990 to about £617m today, partly as a result of non-core investments made by Mr Michael Ashcroft, its chairman and chief executive.

While the share price was sliding, Laidlaw of Canada, its largest shareholder, sued ADT in a New York court, *claiming that* the company had produced "an illusory profit stream". The case was dropped after Laidlaw was granted board representation, but the action was party behind ADT's subsequent decision to focus on the two core businesses.

Mr Hammond said the deal announced yesterday would provide a firm foundation for the *core businesses and mean there* was no need for further refinancing for more than five years, Gearing, nevertheless, would still exceed 100 per cent.

"It is stated policy – official board policy – that we will now concentrate on nothing but security services and vehicle auctions," he said.

The three parts of the refinancing are "inter-conditional", according to Mr Hammond, and *should close in late June.*

The public share offering should raise more than $150m and is a substantially smaller issue than many observers had expected, limiting dilution of existing shareholders to only 16.4 per cent. The share offer will be managed by First Boston Corp and Merrill Lynch. The company is hoping warrant holders will *convert into ordinary equity in* June 1994 at $10.

The $600m of public debt is split into $250m of senior seven-year debt and $350m of 10-year subordinated debt. Half the bank facility amortises over six years beginning in 1994, while half is payable in its entirety in six years' time.

According to documents filed with the SEC, Mr Ashcroft received more than £2m in 1992, *in salary and payments in lieu of* pension, and a salary of £1.44m in 1991.

In London, ADT's share price closed 10p higher at 570p.

Kohl urges calm after German protests

Continued from Page 1

Bielefeld, Münster, Düsseldorf, Dortmund and Kassel.

Mr Kohl, who had failed to issue any immediate response to the deaths on Saturday night, yesterday issued a joint appeal for calm with Mr Johannes Rau, the prime minister of North Rhine-Westphalia, and caretaker leader of the opposition Social Democratic party.

They expressed their understanding for the anger, as well as fear and sorrow, which has exploded in Germany's 1.7m-strong Turkish community. They also expressed support for peaceful demonstrations.

However, they urged the community not to react with violence. "We must prevent injustice causing more injustice," they said. "There is no justification for violent excesses". They also condemned attempts by "small groups of Turkish fanatics" to settle internal disputes under cover of the mass demonstrations, after several incidents of faction-fighting.

"If German and Turkish rioters now career through our towns, then that makes no contribution to the peaceful and friendly co-existence between Germans and foreigners, even if these actions are carried out in the name of the fight against xenophobia".

President Richard von Weizsäcker announced that he would be attending a funeral service at the mosque in Cologne for the five murder victims. On Friday, Mr Klaus Kinkel, foreign minister, will attend the burial of the victims in their former home, 200km north-east of Ankara.

German reaction to this atrocity has been both horror-struck *and helpless, as the authorities* blame a rash of skinhead gangs, without any very coherent political philosophy, for a spate of arson attacks on foreigners.

They have sparked an increasingly urgent debate on the whole question of immigration law, and *German naturalisation laws. The* SPD yesterday repeated its call for a dual citizenship right for all those born in the country. Three draft laws on the issue are now before parliament.

THE LEX COLUMN

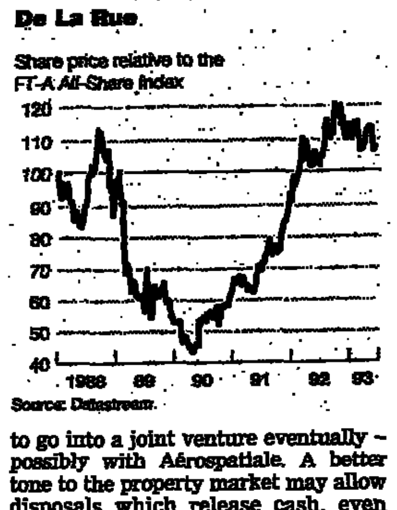
Mr Clinton's trim

There seems to be little that finance ministers meeting in the OECD can do *except mark their forecasts down.* While the OECD is particularly concerned at the downturn in Europe, it is not getting much help from the US *whose recovery is clearly far from vig*orous. Even yesterday's purchasing managers' index only looks good in the context of a particularly weak *April reading. Given the revised* US first quarter growth of only 0.9 per cent, estimates of growth for the year as a whole may have to be scaled back to between 2 and 2.5 per cent.

It is difficult, though, to square these more modest expectations with continuing worries about inflation. A recovery led by productivity and investment should not be inherently inflationary. The effect on unemployment remains disappointing and, car sales apart, consumer demand is weak. *Doubtless the Federal Reserve* would act quickly if the May price data due next week again show upward pressure on inflation. But the greater risk must be that the recovery will continue to disappoint.

That suggests a more positive climate for bonds than for equities, especially now President Clinton appears to be overcoming *Senate opposition to his* budget package. That the package is of necessity mildly deflationary adds to the sense of how little scope there is for concerted *international* action to revive the world economy. The temptation for some governments may be to go for increased protection as an alternative. Or something similar: like competitive devaluations.

FT-SE Index: 2849.2 (+8.5)



Source: Datastream.

BAe

British Aerospace's new management is developing a happy knack of delivering on its promises. The deal to sell its corporate jet business to Ray*theon* is just the latest step in BAe's rehabilitation. Indeed it is encouraging that through a range of deals the company stuck so closely to the devel*opment plans set out by Mr John Cah*ill shortly after he became chairman. That corporate jets have been sold now also underlines the new-found strength in BAe's negotiating position. Last autumn sale talks collapsed when Raytheon pushed too hard on conditions. The UK's lower exchange rate has increased the sterling price Raytheon can pay, but BAe's tough stance shows that assets will not go at fire sale prices.

Of BAe's remaining businesses, the turboprop aircraft operation is likely to go into a joint venture eventually – possibly with Aérospatiale. A better tone to the property market may allow disposals which release cash, even though much of the paper profit has already been taken to offset rationalisation costs. On a larger scale the valuable Hatfield airfield may be re-developed as a business centre on the M25 with parking for the busy executive's *corporate jet.*

Rover, however, is likely to remain within the group for some time. BAe still has to manage the net worth of its *balance sheet carefully, and Rover* would not fetch anything near book value yet. With the company making market share gains and a UK car market recovery in prospect, there is little reason to sell now. BAe's new management may have had its share of luck, but at least it has ridden it well.

De La Rue

British consumers wrote 3 per cent fewer cheques in 1992 than the year before as they made greater use of debit cards. This trend could have proved an embarrassment for the printer De La Rue, but it remained *unperturbed: the company also speci*alises in payment systems. This breadth of activity enabled De La Rue to record a 34 per cent increase in profits last year. Its banknote business – given a fresh burst of life by former communist countries issuing new currencies – provides a steady income stream. Its presence in payment technology, strengthened by the acquisition of Inter Innovation, gives good growth prospects.

De La Rue's attractions are clear enough and it deservedly stands at a 15 per cent premium to the market. But over the past year, its shares have been becalmed as investors chase UK recovery stocks. With 90 per cent of its sales made overseas and a policy of hedging foreign income, De La Rue has been further disadvantaged in terms of sentiment.

To some extent, De La Rue has also been caught out by the speed of its progress. Its strong cash flow, better than even it expected, has left it with net cash of £170m at the year end, making its £160m rights issue of just two years ago appear superfluous. With the bulk of the cash held in the UK, De La Rue now faces a drag on earnings. The company may make acquisitions but insists they must not *be dilutive. Given current* levels of interest rates that should not be difficult. It may also provide the spur to return De La Rue to the buy lists.

Shanks & McEwan

Shareholders in Shanks & McEwan need strong stomachs. The 1991 profits warning, around which revolved the recent insider dealing case involving Mr Thorold Mackie, put paid to the *fancy rating – over 40 times historic* earnings at the peak. Since then it has been downhill almost all the way. The company had underperformed the market by 30 per cent this year before *yesterday's surprise announcement of* provisions on the construction side. Since the shares barely flinched, though, one might reasonably wonder whether Shanks has bottomed.

The £19m provision against a construction business which turned over £48m last year looks prudent. Since a good portion covers doubtful payments for public sector construction work, with the Scottish Office the ultimate customer, there must be a chance of write-backs in future years. Even so, it is questionable whether maintaining a presence in construction is worth the expense.

If forecast profits before provisions *of £29m last year survive the auditors'* scrutiny, the waste side will have held up better. But waste management is far from being the recession-proof business touted at the end of the 1980s. With new government licensing arrangements again postponed, big landfill operators like Shanks will find it hard to raise prices immediately. A price earnings ratio close to the market average, even after the recent derating, demands no more nasty shocks on the downside and some pleasant surprises on the way up.

World Weather

		°C	°F
Ajaccio	S	24	75
Algiers	S	27	81
Amsterdam	F	19	66
Athens	S	31	88
Bahrain	S	35	95
Bangkok	F	36	97
Barcelona	S	23	73
Beijing	F	24	75
Beirut	S	23	73
Belfast	R	13	55
Belgrade	F	25	77
Berlin	C	19	66
Bermuda	S	23	73
Bombay	F	33	91
Bordeaux	S	26	79

		°C	°F
Boulogne	S	19	66
Brussels	F	20	68
Budapest	S	24	75
Buenos Aires	F	9	48
Cairo	S	34	93
Cape Town	S	22	72
Caracas	F	30	86
Casablanca †	F	21	70
Chicago †	S	7	45
Cologne	C	19	66
Copenhagen	C	14	57
Corfu	S	28	82
Dallas †	F	16	61
Dublin	R	15	59
Dubrovnik	S	28	82
Edinburgh	Dr	11	52
Faro	S	21	70
Florence	S	30	86

		°C	°F
Frankfurt	F	20	68
Geneva	F	20	68
Gibraltar	S	24	75
Glasgow	C	15	59
Helsinki	C	15	59
Hong Kong	F	29	84
Innsbruck	S	25	77
Inverness	C	9	48
Islamabad	F	33	91
Istanbul	T	22	72
Jakarta	C	33	91
Johannesburg	S	19	66
Lisbon	C	19	66
London	F	18	64
Los Angeles †	S	17	63
Luxembourg	F	19	66
Madeira	F	22	72
Madrid	S	24	75

		°C	°F
Majorca	S	26	79
Malaga	S	24	75
Malta	S	27	81
Manila	F	36	97
Melbourne	C	11	52
Mexico City	F	27	81
Miami †	F	24	75
Milan	S	28	82
Montreal †	C	11	52
Moscow	S	20	68
Munich	S	21	70
Nairobi	C	25	77
Naples	S	29	84
Nassau	R	28	82
New Delhi	F	32	90
New York †	C	14	57
Nice	F	22	72
Nicosia	S	24	75

		°C	°F
Oporto	F	17	63
Oslo	F	18	64
Paris	S	23	73
Prague	F	18	64
Reykjavik	F	8	46
Rhodes	S	30	86
Rio de Janeiro	C	24	75
Rome	S	27	81
Salzburg	F	23	73
S'Francisco †	F	14	57
Seoul	C	28	82
Singapore	F	31	88
Stockholm	R	11	52
Strasbourg	S	23	73
Sydney	F	14	57
Taipei	C	28	82
Tangier	S	22	72
Tel Aviv	S	29	84

		°C	°F
Tenerife	S	24	75
Tokyo	S	23	73
Toronto †	F	7	45
Tunis	S	25	77
Valencia	S	26	79
Venice	S	25	77
Vienna	S	23	73
Warsaw	F	17	63
Washington †	S	16	61
Zurich	S	22	72

Temperatures at midday yesterday
† Noon GMT temperatures
C-Cloudy Dr-Drizzle
F-Fair Fg-Fog H-Hail
R-Rain S-Sunny
Sl-Sleet Sn-Snow
T-Thunder

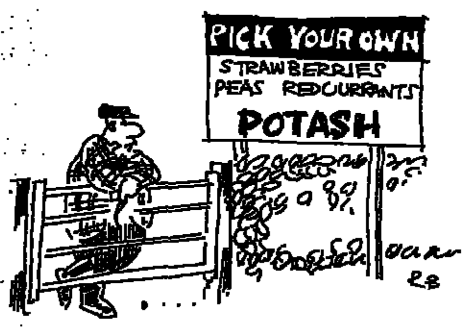
FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday June 2 1993

INSIDE

Making capital at the fall of Communism

Providing bank notes and passports for 26 former Communist countries helped De La Rue, the UK-based security printer and cash-handling machine group, offset the declining world demand for cheques. Mr Jeremy Marshall, De La Rue chief executive, said the overall market for cheques fell 2 per cent last year, and was expected to continue to decline, but there was no sign of a drop in demand for banknotes in any market. Page 25

A region awash with potash



Before 1989, eastern Germany's potash mines were producing more than 3m tons a year with a workforce of over 33,000. In contrast, western Germany was producing 2.4m tons with less than 11,000 employees. The region's agriculture was using so much potash that the land didn't need fertilisers for at least three years. Page 28

An excavator by any other name

There were raised eyebrows at the Chelsea Flower Show last week when a hitherto unknown plant species, *skidsteerloaderus britanicus*, was found nestling among the more conventional flora. The challenge to horticultural orthodoxy was mounted by JC Bamford Excavators, Britain's biggest construction equipment company and no shrinking violet when it comes to publicity. Page 22

Groups to sell heart drugs

Bristol-Myers Squibb and Sterling Winthrop of the US, together with Elf Sanofi of France, yesterday announced a preliminary agreement to co-develop and market two cardiovascular drugs. Page 23

Big day for Ciga

Ciga, the Italian luxury hotels chain controlled by the racehorse-loving Aga Khan, faces an important hurdle next week when a Milan judge will rule on the freezing of the company's assets. Debt has triggered the latest crisis for the group. Page 20

A bonanza for Brazilian bankers

Most Brazilians regard the country's spiralling inflation with dismay: Brazilian bankers are an exception. For the "lost decade" which has seen falling per capita income and triple figure inflation in all but one year, has proved a bonanza for Brazilian banks. Page 21

US and Tokyo lift the world

Performances among the world's equity markets were mixed last week, although the strength of Wall Street and Tokyo helped underpin sentiment. US markets were encouraged by the successful passage of President Bill Clinton's budget package through the House of Representatives. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Berliner Kraft	148	+	2.5
Falls			
Asko	670	–	20
Kaufhof	483	–	11
MAN	283	–	4
Metallgesellschaft	282	–	4.6
Preussag	346.5	–	7.2
NEW YORK ($)			
Rises			
Chrysler	45	+	½
Ford Motor	58	+	⅞
Intel	113¼	+	2⅝
Microsoft	94¾	+	2⅛
Oracle Systems	43½	+	1¼
Raytheon	55⅞	+	⅝
PARIS (FFr)			
Rises			
Cap Gemini S	174.5	+	8.4
Fonc Lyonnaise	575	+	17
Falls			
Air Liquide	710	–	24
EBF	652	–	23
Immobanque	764	–	36
Worms Cie	240.1	–	9.4
TOKYO (Yen)			
Rises			
Hitachi Sales	685	+	46
Japan Syn Rubr	687	+	40
Kureha Chemical	594	+	34
Nissan Diesel	572	+	29
Falls			
Makino Milling	780	–	35
Nozaki	520	–	40

New York prices at 12:30.

LONDON (Pence)			
Rises			
Alba Group	132	+	16
Bluebird Toys	274	+	11
Br Aerospace	356	+	16
Edinburgh Oil	18½	+	3
Fife Indmar	50	+	10
French Connctn	85½	+	5½
Grand Met	405	+	13
Kynoch	55	+	5
Nissan Fin	48	+	6
Ocean Wilsons	63	+	5
Quarto Group	252	+	12
Sheffield Ins	210	+	15
Stakis	55	+	3
Sykes-Pickavnt	62	+	8
Westland	187	+	14
Falls			
Amber Day	76	–	5
BICC	374	–	9
Culver Hldgs	5¾	–	1¼
Euro Disney	803	–	27
Evered Bardon	63½	–	2½
Fitzwilton	38	–	3
Proteus Int	394	–	10
Shanks McEwan	182	–	7
Utd Biscuits	389	–	10

Mannesmann losing in every division

By Quentin Peel in Bonn

MANNESMANN, the diversified German engineering group, lost money in every operating division in the first four months of 1993, and warned of an overall operating loss for the first half of the year.

Hardest hit were the industrial giant's steel tubes division and its manufacture of vehicle components, with sharp falls in both orders and turnover.

Mr Werner Dieter, chairman, said at least 7,700 jobs would have to be cut from the 135,000 workforce, and possibly many more.

However the one area of the company's operations where it is expressing greater optimism is its D2 mobile telephone system, the first private network in Germany, where 220,000 customers have signed on.

Mannesmann, which last year lifted its turnover to DM28bn ($17bn) from DM24.3bn in 1991, reflects the plight of the German engineering industry.

Net profits dropped by almost half to DM339m from DM625m the previous year. Sales in the first four months were DM7.9bn, down 4 per cent from the comparable period of 1992, and orders stood at DM9.4bn, down 14 per cent.

Mr Dieter blamed the group's losses on worldwide price pressure, currency fluctuations in Europe and one-off charges for the redundancy programme.

The pipes and tubes division, Mannesmann's traditional core division, saw the biggest squeeze, with a 23 per cent drop in turnover to DM928m, and a 21 per cent drop in orders to DM1.3bn. Two joint venture plants owned by Europipe in Germany and France are to be closed this year, with a loss of 600 jobs.

Mr Dieter blamed cheap steel imports from central and eastern Europe for the plight of that division, as well as the collapse of the former Soviet market for its products.

The company's vehicle components division was badly hit by the downturn in the German car industry, with orders in the first four months down 14 per cent to DM9.4bn.

Mr Dieter said the group invested a record DM2.85bn in 1992, including DM983m on research and development.

A key element in the investment programme has been the establishment of the mobile telephone network, the first private network to compete with the state-owned Deutsche Telekom.

Alice Rawsthorn reports on bids for business in the privatisation programme

Bankers make assault on fortress France

OVER the next few weeks hordes of bankers will troop into the glass towers of the French finance ministry to bid for business in the new privatisation programme.

The sale of 21 state-controlled companies could provide a lucrative source of business for the international banks that have, for years, been building up their operations in Paris.

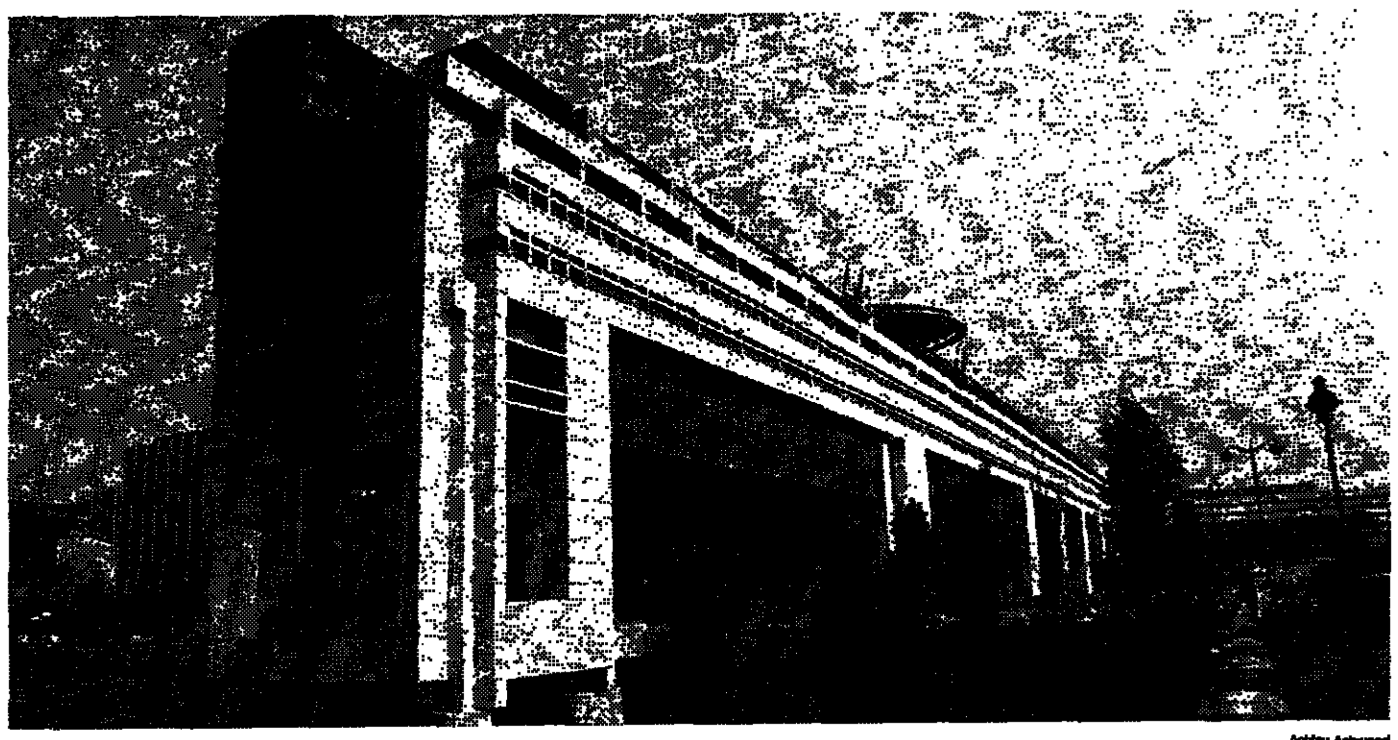
But past French governments have gone for familiar faces in their choice of advisers. Plum roles have been won by Gallic banks such as Société Générale and Crédit Lyonnais.

Foreign banks hope that the new administration will be more internationally minded. They may be disappointed.

The last right-wing French government did at least pay lip service to the principle of internationalisation during its FFr 120bn (£13bn) share sales from 1986 to 1988. The rule was that a French bank was appointed as lead adviser for the domestic part of the issue and a foreign one for the international tranche. This did at least give US, UK and Swiss banks a chance to participate.

In the flotation of Compagnie Générale des Eaux, Crédit Lyonnais acted as chief domestic adviser with Morgan Stanley as chief international adviser. Crédit Commercial de France and Goldman Sachs played the same respective roles in the privatisation of Société Générale. SG Warburg was chief international adviser for the Havas sale and lead manager for the UK on Alcatel-Alsthom.

The preference for French banks was partly a reflection of the unusually close links between politics and finance in France. Even today two of France's biggest banks, Crédit Lyonnais and Banque Nationale de Paris, and three of its largest insurers are owned by the state. As a result many of France's largest financial institutions are run by civil servants who were educated at the elite *grandes écoles* alongside the people who are now orchestrating the privatisation programme.



Ashley Ashwood

The towers of the Ministry of the Economy and Finance in Paris, where bankers will be hoping to secure a slice of the privatisation pie

Leaving preference aside, another reason for French banks dominating the deals was that foreign investors were only allowed to hold a maximum 20 per cent stake in a newly privatised company.

In theory, the new French government should be more open-minded in its choice of advisers. Mr Edmond Alphandéry, the economy minister, has abolished the 20 per cent ceiling. And since the mid-1980s, international investors have played an increasingly prominent part in the Paris stock market.

"Maybe, just maybe, we've seen the last of the old 'Fortress France' mentality," said one American banker in Paris.

But in practice there are signs that the role of international banks will be severely restricted in the new privatisation drive. The socialist government set a precedent by appointing French banks as its chief advisers on both the domestic and main international parts of its partial privatisation programme.

The new administration says it has not yet decided how to organise the next set of share sales, but early signals suggest it will stick to the cosy old ways.

Mr Alphandéry has said he plans to revive the *noyaux durs*, the friendly investors that take long term stakes in newly privatised concerns. Most of these will be industrial partners keen to form alliances with the old state-controlled groups. But others will be banks, eager to strengthen their client relationships.

Société Générale played an active part in the last privatisation round, both in its own sale to the private sector and as an adviser on other issues. Last month it joined a group of three investors taking minority stakes in the Total oil group. Mr Marc Viénot, chairman, announced last week that it also envisaged raising its holdings in Rhône-Poulenc and Assurances Générales de France. It saw itself acting as as "adviser, vendor and investor" in the new issues.

Most foreign financiers suspect the French government will favour *noyaux durs* investors when selecting its advisers. "It's impossible to think that it won't make a difference," a British banker commented ruefully.

Mr Alphandéry has said he hopes to encourage foreign investors to act as *noyaux durs*. But Anglo-Saxon investment bankers have traditionally been less enthusiastic about "industrial banking" than their continental European counterparts. "The cost of taking a stake in a privatised French company is too high a price to pay," said one.

The critical question is whether the French banks are capable of handling the issues on their own. They do have a significant weakness in that none of them, not even Paribas, with the highest international profile, has an adequate equity distribution network outside France.

"Distribution could become a serious problem if an issue proved difficult to sell," said a British banker. "But that doesn't seem very likely. After all French privatisations have usually sold themselves."

Liffe bows out of US long bond futures

By Tracy Corrigan in London

THE London International Financial Futures and Options Exchange (Liffe) is to suspend its US Treasury long-dated bond futures and options, due to low turnover in these contracts.

The US Treasury market is the largest bond market in the world, but trading in US bonds and notes has become increasingly concentrated in US trading hours in recent years.

"No one needs the Liffe contracts any more," said one trader. "You either wait to do the business until the Chicago Board of Trade opens, or you use Globex."

The CBOT recorded an average daily volume of 293,000 contracts on the long bond future in April, while Globex, the after-hours electronic trading system developed by the CBOT, the Chicago Mercantile Exchange and Reuters, traded just over 1,000 contracts per session.

Meanwhile, Liffe's US bond futures, first listed in 1984, traded just two contracts in the whole of April.

"The writing was on the wall when the CBOT started to open at 1.20pm London time, instead of 2pm," according to Mr Hugh Morshead, a director of GNI, the futures arm of Gerrard & National.

Because US economic data is released at 1.30pm UK local time, London-based traders are able to position themselves in the futures market ahead of the economic news.

Mr Daniel Hodson, chief executive of Liffe, attributed the lack of activity in Liffe's US Treasury bond futures and options to the general decrease in trading interest in dollar-denominated securities in the European time zone over the last five years. Traders said the growth of business on Liffe in bund and Italian futures had encouraged London-based firms to concentrate on those markets.

For example, trading in Liffe's Eurodollar contract fell to under 1,000 contracts a day in April, compared with more than 2,500 daily a year before, while while volume on the Euromark contract has more than doubled in the last year.

Meanwhile, Liffe is still in discussions with the CBOT about a possible cross-listing of products, including US Treasury note futures and options.

Kobe Steel to cut jobs and profit forecast over next three years

By Robert Thomson in Tokyo

KOBE Steel, the leading Japanese steelmaker, yesterday revised its long-term management plan, sharply cutting profit forecasts for the next three years and announcing staff cuts of 3,300.

Most Japanese steelmakers expect a loss in the first half of this year, and are counting on a recovery in the domestic economy in the second half. Kobe's announcement, however, suggests unexpectedly tough conditions have forced a review of ambitious production and diversification plans.

For the year ending March 1996, Kobe had predicted sales of Y1,810bn ($16.5bn) and a pre-tax profit of Y118bn. The company, however, has revised the sales target down to Y1,440bn and the profit figure to Y40bn.

Japanese steelmakers launched a remarkable range of diversification projects during the 1980s, including a mushroom farm and an artificial beach. But the most ambitious foray was into electronics, in the belief that as steel had been the "industrial rice" of the past, so semiconductors would be the rice of the future.

In its long-term management plan released in December 1991, Kobe had predicted that the electronics and information division would account for about 13 per cent of sales in the year ending in March 1996, up from 6 per cent last year.

That target, however, has been revised to 9 per cent, including sales at its property development arm.

Kobe expects to trim its workforce by 9.5 per cent to 18,200 over the next three years, while workers in the iron and steel division will be reduced by 15.9 per cent to 7,400.

Steel workers will be transferred to new businesses, although the company is expecting fewer sales from diversification than originally planned.

Shares in new-ICI rebound as Zeneca bioscience falls

By Maggie Urry and Paul Abrahams in London

THE demerger of Imperial Chemical Industries was completed yesterday with the start of official trading in the shares of the two new companies. Shares in new-ICI, encompassing chemicals, paints, materials and explosives, got off to a better start than those of Zeneca, the bioscience business.

New ICI shares closed at 636p, up 28p from the previous "grey market" price, with 5.5m shares traded. Demand for the shares, regarded as a cyclical recovery play, was reported from the US. The rise was also attributed to a rebound after the shares had been driven down ahead of the demerger.

Zeneca shares, ex the £1.3bn rights issue, fell 2p to 630p while the nil-paid shares settled 3p down at 34p. Volume in Zeneca shares was 10m with another 2.6m dealt in the nil-paid.

David Barnes on the first day of trading for Zeneca shares

Zeneca's 5-for-16 rights issue, which closes on June 21, is priced at 600p.

Mr John Mayo, finance director of Zeneca, said he was "not worried" about the nearness of the Zeneca price to the rights level. He said the syndicate formed to drum up demand for Zeneca, to be satisfied by purchases of the nil-paid shares in the market, had got off to "a good steady start".

Mr Paul Woodhouse, pharmaceuticals analyst at Smith New Court, the stockbroker, said: "Although Zeneca will do better than many companies in the sector during the coming years, it will be behind the best. The p/e for 1994 puts Zeneca at 12.5, with SmithKline Beecham at 12.7, Glaxo at 12.3 and Wellcome on 13.5."

Analysts expect that uncertainty about US healthcare reforms will continue to unsettle the sector.

Observer, Page 17
London Stock Exchange, Page 29

BAe confirms £250m sale of corporate jet division

By Roland Rudd in London

BRITISH Aerospace yesterday confirmed the sale of its Corporate Jets business to Raytheon, the US company which makes Beechcraft aircraft, for £250m ($385m) after it described a proposed management buy-out as "unworkable".

However, Mr Richard Hooke, a former BAe executive in charge of the MBO alternative, said he had been denied the information needed to make a formal bid. "I would have thought competition would maximise shareholder value," he said.

The Department of Trade and Industry

confirmed yesterday that Mr Michael Heseltine, trade and industry secretary, had recently asked Mr John Cahill, BAe chairman, to consider the buy-out proposal.

BAe said it had looked at the MBO alternative "in as much as it exists", but argued that it was "unfocused and unworkable".

BAe's shares yesterday rose 16p to 355p in London.

Raytheon has entered into an agreement for the supply of airframe assemblies from BAe's division, for a minimum of three years from completion.

The transaction was structured on the basis that the net assets are worth £194m.

Mr Hooke, who was head of business strategy at BAe's Aviation services, said he had been asked to look at the possibility of forming an MBO of the jet business by the group's chief executive, Mr Dick Evans, in June 1992.

The group was in discussions at the time with Raytheon, but the talks collapsed in September. BAe then said it had decided to hold on to its jet division.

Mr Hooke left BAe at the beginning of the year to work full time on the MBO, and after securing financial backing from an investment fund told BAe in March that he would be making a bid for the jets division in excess of its net assets.

But Mr Hooke never made a formal bid because, he says, information on the business was withheld from the MBO team.

BAe, which denies Mr Hooke's claim, yesterday announced that Corporate Jets made an operating profit before interest and launch costs of £6m on sales of £308m last year.

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Elf Sanofi links with US groups

By Paul Abrahams

BRISTOL-MYERS Squibb and Sterling Winthrop of the US, together with Elf Sanofi of France, yesterday announced a preliminary agreement to co-develop and market two cardiovascular drugs. It allows for the groups to consider further products for joint development.

The deal, the latest in a series of alliances between drugs groups, is founded on Bristol-Myers Squibb's expertise in cardiovascular products.

The US group manufactures treatments for hypertension, cholesterol, coronary heart disease, heart failure and arrhythmias. These include the ace-inhibitor Capoten, the world's third best-selling medicine with sales of about $1.655bn last year, according to UK analysts Wood Mackenzie.

The agreement involves an antithrombotic agent called clopidogrel, developed by Elf Sanofi and Sterling Winthrop. The two companies formed a strategic alliance in 1991. Development of the medicine, which is in phase three trials according to the French company, will be led by the Franco-American alliance.

The second compound is SR 47436, an angiotensin II receptor antagonist designed to replace the big-selling ace-inhibitors. Development of the drug, which is in phase two trials in Europe, will be led by Bristol-Myers.

Under the agreement, once the drugs have been approved, they can be co-marketed, co-promoted (when the groups market the product under a single name), or promoted through a joint venture.

Elf Sanofi has concentrated on treatments for cardiovascular disease, cancer, illnesses related to the central nervous system, and antibiotics.

EniChem predicts strong upturn

By Haig Simonian in Milan

ENICHEM, the troubled Italian state-owned chemicals group which lost L1,560bn ($1.06bn) after tax in 1992, has forecast gross operating profits of about L1,000bn this year due to restructuring measures.

The claim by Mr Giorgio Porta, EniChem's outgoing chairman, has been greeted with some scepticism given the size of last year's losses, which were well above expectations.

Mr Porta, who is being replaced by Mr Marcello Colitti, said EniChem's biggest problem was the size of its debts and interest charges. Interest costs, adjusted for disposals, rose by L131bn to L893bn in 1992, while total net debt climbed to L7,391bn from L7,004bn, in spite of a cash injection from the Eni group.

Mr Porta said gross operating profits had risen by 46 per cent to L230bn by end-March and should reach L400bn by mid-year – 33 per cent above the corresponding figure for 1992 and 50 per cent higher when adjusted for acquisitions and disposals. Last year, gross operating profits totalled L586bn.

First-quarter sales in 1993 were L2,700bn, 4 per cent below the same period last year. Adjusted for disposals, revenues rose by 5 per cent.

Merloni plans more disposals to cut gearing

By Andrew Baxter in London

MERLONI Elettrodomestici, the Italian white goods group, is planning further asset sales and tighter controls on working capital to reduce its gearing, said Mr Gian Oddone Merli, chief financial officer, in London yesterday.

Merloni, which is best known for its Ariston, Indesit and Scholtès brands, had net gains of L8bn ($5.4m) on the disposal of fixed assets last year.

But, as the company reported in March, it also suffered foreign exchange losses of L21bn, and group net profits fell from L11.7bn to L1.6bn.

Merloni's debt-to-equity ratio peaked at 1.76 in 1989, following the acquisitions of the value-for-money Indesit range in Italy and the high-end Scholtès in France.

The ratio was unchanged last year at a relatively high 0.92, in spite of L86bn of capital spending.

Mr Merli, who became chief financial officer in February, said that the company could dispose of further assets, such as warehouses, and would be introducing more "just-in-time" working in order to reduce stocks of raw materials.

He said that the company was now benefiting from the devaluation of the lira which produced heavy foreign exchange losses last year.

Merloni had moved some of its debt into the lira, and was also trying to keep foreign-denominated debt only in currencies in which it was generating revenues, Mr Merli said.

The exchange losses spoilt an otherwise better performance last year.

Operating profits jumped 50 per cent to L62.4bn and the operating margin rose from 3.5 per cent to 4.8 per cent.

Mr Merli said that a 6 per cent margin was achievable this year because of Merloni's internal restructuring and productivity drive.

Court holds key to Ciga's future

Haig Simonian examines the problems facing the Italian hotels chain

CIGA, the Italian luxury hotels chain controlled by the racehorse-loving Aga Khan, faces an important hurdle next week when a Milan judge will rule on the freezing of the company's assets.

A freeze on Ciga assets was provisionally granted to a group of banks owed money by Fimpar, the holding company, which controls Ciga. The move, revealed last month, led to the suspension of stock market trading in Ciga and Fimpar shares.

Ciga is no stranger to suspension. Last December, trading was halted pending a last-minute rescue plan after the collapse of an earlier project to sell some of its famous hotels to raise cash.

The group owns or runs some of Italy's most luxurious hotels, such as Rome's Grand and Milan's Principe di Savoia, as well as a number of top hotels outside Italy. Occupancy rates have been hit severely by recession, and expansion ahead of the 1990 soccer world cup led Ciga to invest heavily at the expense of borrowings.

The upshot has been a string of losses in recent years. The net loss for 1992 was L251.9bn ($172.2m), up from a loss of L98.8bn in 1991, on revenues of L510bn. Group borrowings are now believed to be about L1,200bn.

It is debt which has triggered the latest crisis for the group. The share suspensions followed legal action by IMI Bank, the German subsidiary of a leading Italian investment banking and long-term lending group, which led a $100m three-year revolving credit facility for Fimpar. The facility matured on May 4, and was not renewed pending negotiations between Fimpar and its creditors.

Those talks are still going on. Apart from the stake in Ciga, Fimpar's main assets comprise an 11.7 per cent shareholding in the Sardinia-based airline, Meridiana.

Although IMI Bank's move looks like a direct attack on Fimpar to force repayment of the $100m credit, analysts say the strategy is more complex. While Fimpar owes its banks money, the bulk of the borrowings by the Aga Khan's companies is by Ciga.

Ciga's bankers, which have been conducting separate rescheduling and rescue talks with the company, approved in March a plan to give Mediobanca, the Milan-based merchant bank, the mandate to seek a solution to its problems.

That is likely to involve the direct sale of some assets or a big capital increase reserved for one or more outside partners. The depressed state of the property market and the failure of Goldman Sachs, appointed by Ciga to find buyers for some hotels last year, to come up with acceptable offers, suggests a capital increase is the most likely recourse.

Aga Khan: Ciga accounts for bulk of his groups' borrowings

But diluting Fimpar's stake in Ciga, which is now just in excess of 50 per cent, does not appeal to Fimpar's bank creditors. Dilution of the stake in its biggest and most valuable asset affects Fimpar's creditworthiness – triggering the bankers' legal moves.

Matters are complicated by the fact that different banks lent to Ciga and Fimpar. Only Barclays and Banca di Roma lent to both; the other Fimpar banks do not necessarily have the same priorities as Ciga's bank creditors.

Earlier this year Ciga's bankers turned down a Ciga-inspired rescue scheme which would have brought in an outside investor to raise cash.

The banks' objection was that the deal, which involved the sale of a majority stake in the hotel-owning Ciga Immobiliare property subsidiary, undervalued the assets.

Less publicly, there may also have been some uneasiness about the source of funds and identity of the buyer, a private Italian property and leisure group, Situr.

Mediobanca's rescue plan will not be ready before Ciga's annual meeting at the end of this month. Once unveiled, it must still be approved by the banks. Then Mediobanca has to find one or more companies prepared to invest in Ciga. It may be a good long-term prospect, given present depressed property prices and the large amounts already spent to upgrade many hotels.

But before that can happen, Ciga, Fimpar and their bankers must resolve their latest disagreement. Many analysts believe IMI Bank's freeze is a tactical move to gain representation at the Ciga banks' negotiating table – from which all Fimpar's lenders except Barclays and Banca di Roma are excluded.

If that is all, the problem should not drag on too long. But even then, Ciga, Fimpar and the Aga Khan will have to find a long-term solution for the group.

Norway approves plan for Uni

By Karen Fossli in Oslo

NORWAY has approved a NKr4.5bn ($667m) recapitalisation plan for Uni Storebrand and cleared the way for the country's largest insurance group to be released from public administration.

Uni was forced into public administration last year with NKr3.8bn in short-term borrowings after it had built up a 28.3 per cent stake in its Swedish rival, Skandia.

The finance ministry said Uni could be freed from public administration as soon as terms of the slightly altered rescue plan were met.

According to Uni's administration board, the company could return to free activity in about a month.

The revised rescue package calls for a NKr2.8bn share issue, writing down the face value of existing Uni shares to NKr0.05 from NKr20, and a NKr1.8bn bond issue.

The issues have been guaranteed full subscription by a Norwegian investment consortium.

The consortium – comprising Norway's state pension fund, Orkla, the diversified Norwegian group with main interests in branded food products, and Tiger Management, a US investment group – can hold up to 15 per cent of Uni for a maximum of three years with restricted voting rights.

The finance ministry said that Uni's holding in Skandia would be spun off into a separate, wholly-owned company.

It said Uni needed to sell the Skandia shares for at least NKr1.4bn.

Last month Uni announced a 1993 first-quarter profit, before allocations, of NKr150m, against a corresponding NKr151m loss.

The insurer forecast a good result for 1993 as a whole.

Constantia declines 35%

CONSTANTIA, the diversified Austrian manufacturing group, reported a 35 per cent decline to Sch350m ($31.3m) in net income for 1992 on turnover little changed at Sch11bn, writes Ian Rodger from Zurich.

The fall in profit was exaggerated by the way that 1991 earnings were inflated by the sale of the group's paper factory.

Constantia, 75 per cent owned by the Turnauer family, expects flat sales again this year and a slide in cash flow from last year's Sch950m to between Sch800m and Sch900m.

INTERNATIONAL COMPANIES AND FINANCE

Lost decade a bonanza for Brazilian banks

Christina Lamb on a financial sector whose profits now represent 20% of GDP

Most Brazilians regard the country's spiralling inflation with dismay: Brazilian bankers are an exception.

For the "lost decade," which has seen falling per capita income and triple figure inflation in all but one year, has proved a bonanza for Brazil's banks.

Largely as a result of arbitraging on inflation, the financial sector has enjoyed such healthy profits that its participation in the economy has risen to 20 per cent of gross domestic profit, from 8 per cent in 1980. Since deregulation five years ago, the number of banks has more than doubled to 232.

Last year was yet another bad one for Brazilian business in general, with inflation at 1,158 per cent and a 1 per cent contraction in the economy but one bank after another reported soaring profits – some increasing by more than 400 per cent in real terms.

A study released by London-based credit analysis group IBCA shows that of the 29 largest Brazilian banks only one (the Rio state bank) suffered losses, while the others increased net profits by an average 86 per cent. Return on equity for private banks averaged 15.9 per cent.

It is not surprising, therefore, that banks are portrayed as the villains in Brazil's struggle against inflation, often referred to by government members as "the bloodsuckers".

"We are easy targets," says Mr Lener Marangoni, director of Banespa, "but people should understand we do not create inflation, we simply profit from it."

This they do mainly through channelling private domestic savings to finance government debt in what is known as "the financial merry-go-round".

Only 5 per cent of the country's money supply is cash, the rest is held in accounts, and over the past decade, as inflation has soared, banks have expanded branch networks to bring in the maximum number of current account depositors.

Bradesco, Brazil's largest private bank, has 15m clients, many of whom are unsophisticated. Their money is held at zero interest or a rate less than inflation and used overnight to fund government bonds which pay a far higher rate. Last year, for example, Bradesco paid interest rates of 8 per cent real while receiving 30 per cent real from the Treasury.

With banks making most of their money this way, a large question-mark hangs over their future in a non-inflationary environment. Mr Sergio Goldman, an analyst at Baring Securities in Sao Paulo, says: "We must assume that if inflation were controlled, the financial sector would shrink to around 10 per cent of GDP; which means closures, mergers and a lot of job losses."

One banker admits, "If inflation fell to say 5 per cent a month, we'd have to close."

BRAZIL'S LARGEST BANKS

	Net income ($m) 1992	1991	Per cent increase	Return on equity
Banco do Brasil	447	252	71.7	7.6
Banespa	156	100	56.2	19.3
Bradesco	289	162	49.4	11.9
Itau	223	149	37.8	12.4
Unibanco	61	50	18.6	10.2
Bamerindus	43	34	25.0	7.2
Nacional	49	29	63.2	11.7

But the major banks have undertaken massive restructuring since 1986 when they were caught unawares by the Cruzado plan, which briefly reduced inflation to zero.

They have increased productivity by closing unprofitable branches, invested heavily in automation and slashed staff. Bradesco, for example, has reduced staff from 145,000 to 76,000 and Banco Nacional from 37,000 to 20,000. Mr Lazaro Brandao, chief executive of Bradesco, says: "Today we're convinced we'll survive no matter what."

In some areas, such as cash management, Brazilian banks are the most efficient in the world. Despite Brazil's continental dimensions, cheques are cleared the same day anywhere in the country.

Banespa's Mr Marangoni explains, "Dealing with a situation which can kill you tomorrow makes the antibodies very alert." He points out that in the US cheques take four days to clear: "In Brazil, four days means a 10 per cent loss in value."

Moreover, the frequent economic shock plans of the past seven years, most of which altered the rules of the financial system or changed the currency, have forced fast reactions.

"Our banking system is the most agile in the world," boasts Mr Brandao, pointing out that the Collor Plan of March 1990 doubled the number of accounts overnight by freezing 80 per cent of the nation's assets.

Although banks have undoubtedly profited financially from inflation, the high real interest rates, recession and prolonged economic uncertainty have robbed them of their principal activity.

Aside from financing government bonds, Brazilian banks have almost ceased lending.

Mr Brandao argues: "It's absurd to say banks like inflation. We lose our function as financial agents because there are no borrowers." Bradesco, for example, has a loan portfolio of just $3.3bn, compared with total assets of $12.7bn.

If the economy takes off and inflation is reduced, the loss in lucrative arbitraging possibilities should be partly compensated by a jump in borrowing.

Industry has stood still for so long that equipment is outdated and large investments in modernisation and expansion are needed. The main banks are well capitalised so have a high leverage potential.

The two largest private banks, Itau and Bradesco, have an equity to assets ratio of 20 per cent. But analysts question whether Brazilian banks still have the know-how for lending after such a long absence.

The main hope lies with fees on the wide range of services the banks have been developing. Mr Goldman says they have become "financial supermarkets – offering commercial banking, investment banking and brokerage under one roof".

Mr Georg Lipsztein, vice-president of Nacional, says: "All the banks in the world make money through credit and services. Here we make it only through services and these we perform free as inflation means we make on the float." Mr Goldman points out that "if Bradesco charged $1 per client per month, that would be an extra $15m monthly profits".

But for the moment at least the party is far from over. President Itamar Franco has shown no signs of being able to control inflation, now running at 1,500 per cent a year and the banks are expecting an even better year.

G&L moves quickly to replace chairman

By Andrew Baxter

THE BOARD of Giddings & Lewis, the largest US machine tool and industrial automation supplier, has moved quickly to fill the gap left by the resignation of Mr William Fife as chairman and chief executive.

The Wisconsin company has appointed Mr Joseph Coppola, currently senior vice-president for manufacturing services at Houston-based Cooper Industries, as chairman and chief executive from July 1.

G&L announced on May 7 that Mr Fife had resigned due to policy differences. His resignation, coupled with an earnings statement showing improved first-quarter profits but lower than expected new orders, sparked a $6.75 fall in G&L's shares to $20¼.

G&L and Cincinnati Milacron are the only two major publicly-quoted US machine tool builders. Mr Fife was given much of the credit for restoring G&L's fortunes, and masterminding the $70m acquisition of struggling rival Cross & Trecker in 1991.

G&L has tried to reassure customers and shareholders that its strategy remains on course despite Mr Fife's departure. In London recently, Mr Richard Kleinfeldt, vice president and chief financial officer, said: "The senior management throughout the period of growth and resurgence is still in place. The only difference is that Bill has left."

Mr Kleinfeldt said UK customers had been more concerned about G&L's recent decision to transfer machine tool manufacturing from Arbroath in Scotland to Knowsley on Merseyside.

"They wanted to know whether they will get the same service," he said. G&L was upgrading the machine shop at Knowsley over the next eight to 12 months.

Shares in the company have recovered to around $24 in Nasdaq over-the-counter trading, and Mr Kleinfeldt said the appointment of Mr Coppola was a clear sign G&L wanted to retain its customer focus.

Mr Coppola has been a director of G&L since 1989, and Cooper Industries, which makes electrical and automotive products, tools and hardware, is a major user of machine tools.

Canadian Air link approved

By Robert Gibbens in Montreal

CANADIAN Airlines International has won national transportation agency approval for a C$246m equity infusion from American Airlines.

Mr Rhys Eyton, chairman of Canadian and its parent, PWA, said the regulatory body's decision that the proposed Canadian-American link up was not against the public interest "will allow Canadian to move ahead with its restructuring".

The link will give American a 25 per cent voting interest in Canadian.

Rise in fee income helps Royal Bank of Canada advance

By Bernard Simon in Toronto

A SHARP rise in fee and investment banking income as well as lower loan loss provisions helped Royal Bank of Canada lift second-quarter earnings by almost 15 per cent.

The bank, Canada's largest financial institution, posted earnings of C$243m (US$192m), or 64 cents a share, in the three months to April 30, up from C$212m, or 59 cents, a year earlier. Return on equity climbed to 13.7 per cent from 11.6 per cent.

Assets rose by 4 per cent to C$143.4bn, giving a return on assets of 0.72 per cent, up from 0.64 per cent.

RBC painted a mildly encouraging picture of the loan losses which have dogged Canadian banks for the past two years.

The estimate of 1993 write-downs is being maintained at C$820m, with the remaining C$325m of a general reserve set up last year being allocated to specific accounts.

Mr Allan Taylor, chairman, said he was encouraged by the dip in non-performing loans to C$3.57bn on April 30 from C$3.84bn three months earlier. The bulk of the decline was due to the return to performing status of loans to Argentina.

However, Mr Taylor noted non-performing loans to other borrowers edged down by C$15m, against a C$300m jump in the previous quarter. A further deterioration in the commercial property portfolio was offset by an improvement in other corporate loans and a stabilised retail portfolio.

Interest income was little changed, but fee income climbed by 15 per cent to C$512m. Earnings of 76 per cent-owned RBC Dominion Securities doubled to almost C$30m.

RBC also announced a private placement of C$110m of subordinated debentures. The securities qualify as Tier 2 capital, and will boost the bank's total capital-to-assets ratio to 10.3 per cent from 9.5 per cent three months earlier. Under US regulatory guidelines, the bank's total capital ratio is now 10.2 per cent.

RH Macy to enter 'TV shopping' business

By Nikki Tait in New York

R. H. MACY, the bankrupt New York-based department store group, plans to enter the growing "TV shopping" business, initially in a joint venture with Cablevision, one of the larger US cable operators, and two well-known television executives.

The partners are setting up a company, called TV Macy's, and hope to start airing Macy's wares on Cablevision systems by the autumn of 1994.

The stores group will have an unspecified majority interest in the venture, while Cablevision and the two individuals – Mr Thomas Leahy, a former president of CBS television, and Mr Don Hewitt – will own minority stakes.

Macy declined to say how much the venture would cost to set up, although one retail consultant has suggested $50m. However, Macy did say the investment could be found from currently anticipated capital spending. "It's nothing that the creditors don't know about," said the company.

Although Macy is talking about selling its merchandise over the Cablevision systems, it hopes to bring other cable TV operators into the venture. "Other equity holders, including additional cable operators and capital partners, are expected to join the venture in the future," it said yesterday.

The plan is to market Macy's goods via cable TV. Cable subscribers will be able to place orders by phone, and receive deliveries within several days.

TV shopping has had a mixed record in the US, and a smattering of large department store groups – such as Dayton Hudson and J. C. Penney – experimented with the concept in the 1980s, but never pursued the business.

However, there has been a perceptible increase in interest recently. Mr Barry Diller, credited with building up the Fox network in the US, recently agreed to invest $25m in QVC, one of the two leading home shopping channels, and to become its chairman.

Defence industry study points to collaboration

By Martin Dickson in New York

TRANSATLANTIC and transpacific collaboration is going to be increasingly important for aerospace and defence companies to survive as industry leaders in the post Cold War world, according to a study of global defence industry opinion published yesterday.

The survey, by consultants Ernst & Young, summarises the opinions of senior executives at defence and aerospace companies around the world.

It says the principal strategies for survival being pursued are alliances with other companies, either domestic or foreign, and diversification into commercial products.

Nearly all survey respondents, and particularly those in Europe and Japan, said forming collaborative ventures with foreign companies would be very important to success.

An overwhelming number of Japanese executives and a majority of west Europeans felt their governments should encourage the pursuit of such ventures, while most Americans felt this should be left to market forces.

The survey notes that when the defence industry first began to face long-term shrinkage, the theory developed that existing technology and plant would be converted to alternative use, principally in the commercial sector.

However, there have been very few "defence conversion" successes and the report says North American and West European industrialists do not see this as a particularly important strategy. In Japan, however, it is regarded as important.

Ernst & Young notes Japan also plans to expand its presence in commercial aerospace and adds: "It appears clear from this study that Japan will continue to play an ever-increasing role in the aerospace and defence industry.

"Its social policies, culture and modern manufacturing methods seem to encourage aerospace growth while affording the flexibility to adapt to the rapid pace of change."

Most executives also felt the defence industry would see more consolidation, although this view was much more common in the US than in Europe and Japan. More than 50 per cent of US respondents and one third in Europe expected a significant number of sub-contractors to quit the industry.

The study also found many defence industry leaders were still waiting for clearer guidance from their governments over defence priorities in the post Cold War world.

"Particularly in North America and Western Europe, industrialists sense that their governments' adaption to the resized defence needs are . . . occuring incrementally when, in fact, a fundamental change in their governments' thinking about the conduct of defence procurement is necessary."

Mövenpick omits payout despite return to black

By Ian Rodger in Zurich

MOVENPICK, the troubled Swiss hotel and restaurant group, recovered from loss to make a small profit last year but the dividend is to be passed for the second year running.

The directors are also proposing share splits and a rights offer of share purchase options that, if exercised, would raise nominal capital by SFr1.9bn ($1.3bn) or about 4 per cent.

Consolidated net income in 1992 was SFr6.5m, compared with a loss of SFr3.6m. Sales were up 10.1 per cent to SFr1.23bn. Cash flow rose to SFr86.9m from SFr70.1m as a result of inventory reductions.

Mövenpick said it passed its dividend because of the expansion projects it had in hand and the need to establish a healthy degree of self-financing.

The once fast-growing group stumbled in the late 1980s under the direction of Mrs Jutta Prager, wife of Mr Ueli Prager, the founder. Mr Prager resumed charge in mid-1991 and then early last year sold his controlling stake to Mr August von Finck, a Munich businessman.

The SFr500 bearer shares and SFr100 registered shares will be split 10 for one with a view to improving their stock market liquidity.

The final terms of the options rights issues will be revealed in two weeks. Mövenpick said yesterday that the options would be priced at about SFr30 per bearer share, SFr3 per participation certificate and SFr6.40 per registered share.

Argentina opens oil group sale

By John Barham in Buenos Aires

ARGENTINA this week launched the campaign to sell 35 per cent of YPF, the state-owned oil group, with forecasts of robust growth for the company. The government hopes to raise up to $2.5bn.

Mr José Estenssoro, YPF president, said the company, which had undergone a radical restructuring since his appointment in 1990, expected to earn net income of more than $600m in 1993, against $259m in 1992 and $255m in 1991. He forecast sales growth of more than 6 per cent, from $3.9bn in 1992.

YPF's sales should continue growing at more than 6 per cent a year in the medium term, he added.

Mr Daniel Marx, the government's chief financial negotiator, said the profits jump was due to depressed earnings in previous years. These were blamed on heavy restructuring charges.

Last week Mr Domingo Cavallo, economy minister, said YPF would be floated on the Buenos Aires, New York and possibly London markets on July 8, with a maximum of 35 per cent of the shares marked for the investment community.

Up to 24 per cent will be set aside for holders of government debt consolidation bonds, held by pensioners and government suppliers.

Reaction in Buenos Aires to the first presentation was generally positive. On banker said: "My gut feeling is that this is going to sell, although we are still at the slightly messy stage where there is not much information."

The US Securities and Exchange Commission is processing YPF's application for listing on the New York Stock Exchange, and until that is complete full information on YPF is being withheld.

Most analysts agree a final decision on YPF can only be made once the price has been established. The government's advisers – Merrill Lynch and Credit Suisse First Boston – have completed the book building and pricing exercise at the end of June.

Bankers say political factors were forcing Mr Cavallo to accept a relatively low price for YPF.

With congressional elections due in October, the government cannot afford the embarrassment of the share flotation failing due to excessive pricing.

Mr Cavallo said YPF's price would be set at between $17 and $20 per share, valuing the company at $6bn-$7.06bn.

He said the government was aiming at a price/earnings multiple of about 10, roughly the same level as oil stocks quoted on the Buenos Aires exchange.

The government has promised that YPF's statutes will ensure it would be managed as a private company, even though the unions and government shareholders would retain at least 41 per cent.

Anglo American betters forecasts with 8% fall

By Philip Gawith in Johannesburg

ANGLO American, South Africa's largest company, performed slightly better than market forecasts to record an 8 per cent fall in attributable earnings, to R1.53bn ($480m) for the 12 months to March. Last year's figure of R1.67bn was boosted by a R114m tax break.

Mr Julian Ogilvie Thompson, chairman, said he was pleased with the results given weak commodity prices and domestic recession. He said the results reiterated the value of the group's business and geographic diversity – a further indication that Anglo is not planning to follow the unbundling route taken by Gencor, South Africa's next largest mining house.

The results were accompanied by news of six new projects in which Anglo is involved. These are the Moab, Namakwa Sands and Mantos Blancos mining projects, and the Columbus, Del Monte/Royal and High Energy Battery non-mining projects.

"We're a dynamic group with lots of exciting developments before us," Mr Ogilvie Thompson said.

Net income before tax fell 13.5 per cent to R2.12bn from R2.45bn. This reflected an 11.4 per cent decline in investment income, to R1.47bn from R1.65bn, a function of lower income from interests in diamond and platinum; a 4.5 per cent slide in trading income to R484m from R507m; a smaller surplus on the realisation of investments; and improved interest and fee income.

With retained earnings of associated companies unchanged at R929m – a decline on the diamond side was offset by improvements from platinum, FNB and South American interests – equity-accounted earnings were 5.3 per cent lower at R2.46bn against R2.6bn. Excluding the tax benefit, the decline would have been 9.8 per cent.

The dividend was maintained at 345 cents per share.

Hanix files for protection of court

By Emiko Terazono in Tokyo

HANIX Industry, a Japanese construction machinery manufacturer listed on the country's over-the-counter stock market, has been forced to file for court protection.

The move reflects Japan's difficult business conditions and banks' cautious approach to lending to small companies.

Hanix announced it had filed with the Tokyo district court for protection under the corporate rehabilitation law.

According to Teikoku Data Bank, a private credit research company, the group's liabilities totalled Y170bn ($1.54bn). It is the largest group to file for court protection this year.

Mr Sakae Hirokawa, president of Hanix, blamed "malicious credit reports" and allegations of tax evasion for prompting financial institutions and banks to stop loans and financial assistance.

Teikoku Data Bank said Hanix's financial balance was eroded by a sharp drop in sales due to the slump in construction market.

However, Hanix officials, who had denied rumours of financial problems last week, blamed newspaper reports circulated earlier this month for the company's funding problems.

● Tokyo Electric Power (Tepco), Japan's largest electricity utility, is to issue a three-year straight bond worth Y150bn. It will be the largest issue by a Japanese company on the domestic corporate bond market.

The move comes as uncertainty over bond yields has heightened after a recent slump in the country's government bond market. A recent rush of corporate bond issues has also created an oversupply on the straight bond market.

Tepco, however, said the size of the flotation would not be a problem due to the relatively short maturity. The issue, lead-managed by Nomura Securities, will carry a coupon rate of 4 per cent, and will be issued at 99.8 per cent of par.

NZ commission criticises bank's accounting policy

By Terry Hall in Wellington

THE New Zealand Securities Commission has sharply criticised former Bank of New Zealand directors over accounting procedures surrounding a controversial NZ$200m (US$108.7m) scheme to insure against bad debts.

The commission said the directors had used "creative accounting" systems which led to a NZ$66m over-statement of profits in 1988-89.

However the report cleared the directors, Fay, Richwhite, a New Zealand merchant bank and a former leading shareholder in BNZ, and BNZ's lawyers and accountants of allegations of fraud and conspiracy.

These allegations, which led to the commission's seven-month enquiry, were made under parliamentary privilege by Mr Winston Peters, a former government MP.

The report says there was no evidence to support other allegations by Mr Peters that Fay, Richwhite had improper influence over the bank, or that the insurance scheme was used to falsify the 1987-88 accounts by concealing NZ$300m in bad debts.

Fay, Richwhite ceased to be a leading shareholder in BNZ when the bank was sold to National Australia Bank in November. All the directors at that time resigned following the takeover.

The bank posted a NZ$189m net profit in 1988, but this slumped to a NZ$649m loss in 1989 due to bad debts of NZ$1.3bn.

The report said the bank had sought to insure against expected bad debts of NZ$200m. In March 1988, European Pacific Banking, a company registered in the Cook Islands tax haven, was set up to ensure that profits were not distorted by a large one-off loss. Its parent, European Pacific Investment, was partly owned by the BNZ.

European Pacific Banking refused to co-operate with the Securities Commission during the enquiry. Its lawyers said Cook Islands law prevented material from being disclosed.

The commission said this was unsatisfactory, and that the scheme was most unusual. It said it amounted to an investment and could not properly be called insurance.

The commission also took exception to BNZ's accounting treatment of the scheme, and other items which allowed the bank in the year to March 31 1990, to boost profits before tax and extraordinary items by NZ$66m.

Jardine lifts C&C holding to near 25%

By Kieran Cooke

JARDINE, the Hong Kong-based trading group controlled by the Keswick family and domiciled in Bermuda, has bought a further 8.6 per cent stake in Singapore's Cycle & Carriage company for S$160m (US$99.3m).

The purchase brings Jardine's total C&C holding to a controlling 24.63 per cent, just short of the 25 per cent which would trigger a mandatory general offer.

C&C is involved in food, property and motor distribution. Analysts say the C&C purchase is one of a number of moves Jardine is making into Singapore.

News Corp sale

NEWS Corp, the global media and entertainment group, has reduced its shareholding in TNT, its partner in domestic airline carrier Ansett Australia, from 10.19 to 8.29 per cent, Reuter reports from Sydney.

News Corp told the Australian Stock Exchange it sold the shares at between 94 cents and A$1.45 from December 20 1991, to May 26 1993.

New Straits Times group up slightly

By Kieran Cooke in Kuala Lumpur

NEW Straits Times Press, Malaysia's largest newspaper and publishing group, has announced pre-tax profits of M$47.97m (US$18.6m) for the six months to February 1993. The result is a 3.7 per cent improvement on last year.

Group turnover rose 9.5 per cent to M$188m, while net earnings per share improved to 18.4 cents from 17.6 cents.

NSTP directors said they expected year-end results to be broadly in line with those of last year. In the year to August, 1992, NSTP earned pre-tax profits of M$96m, compared with M$82m the year before.

Until a management buy-out early this year NSTP was part of the Renong group, one of Malaysia's biggest conglomerates with close connections to the ruling United Malays National Organisation.

Renong sold its controlling stake in NSTP, along with a 43 per cent stake in TV3, the country's only privately-owned TV station, for M$800m.

● SIA Engineering, the aircraft engineering subsidiary of Singapore Airlines, is likely to be one of a number of regional aerospace companies investing in a $63m maintenance centre in China.

Aviation sources say SIA is negotiating to take a 15 per cent stake in the new aerospace facility, to be built near the coastal city of Xiamen.

The prime mover behind the China project is the Hong Kong Aircraft Engineering (Haeco). Others said to be involved are Cathay Pacific, the Hong Kong carrier, Japan Airlines, and local Chinese interests.

Haeco's move to China is prompted by space restrictions in Hong Kong and lower Chinese wage rates. In recent years, several aerospace centres in Asia have been opened in response to the sharp increase in regional aircraft traffic.

The International Air Transport Association forecasts that airline passenger numbers will double in the Asia Pacific region over the next six years.

● Singapore Airlines is said to be in talks with Ansett Australia airlines on a commercial co-operation agreement. Aviation analysts in Singapore say SIA is interested in taking a stake in Ansett.

Higher log prices boost profits at Carter Holt

By Terry Hall

CARTER Holt Harvey, the New Zealand forestry group, has lifted net profits by 25.7 per cent, to NZ$243.5m (US$132.3m), for the year to the end of March. The group attributed the improvement to higher log prices and strengthening economic activity in New Zealand.

However, it said pulp and paper prices remained weak.

The company, controlled by a joint venture between International Paper of New York and Brierley Investments, said the year had been good, although earnings had been affected by a protracted strike in October.

Sales were unchanged at about NZ$2.46bn. The company reported an abnormal gain of NZ$7.5m from the sale of fishing group, Sealord, to a consortium of Brierley Investments and Maori tribal interests, and the sale of a 10 per cent interest in the Pan Pac pulp mill to a Japanese concern. These gains were offset by write-downs relating to the company's Chilean fishing interests and restructuring costs.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 02.06.93 Pool purchase price £/MWh	Final Prices for Trading on 05.05.93 Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.46	18.54	18.54
0100	18.46	18.48	18.48
0130	18.11	19.00	19.00
0200	20.62	30.30	33.29
0230	20.62	35.00	38.18
0300	18.51	35.00	36.00
0330	18.51	19.50	19.50
0400	20.52	19.00	19.00
0430	18.48	18.54	18.54
0500	18.49	18.54	18.54
0530	18.48	18.54	18.54
0600	33.00	18.54	18.54
0630	33.00	18.82	18.82
0700	33.00	24.09	26.79
0730	24.38	25.30	27.97
0800	24.58	27.04	29.75
0830	27.17	33.07	36.00
0900	27.17	33.11	36.04
0930	27.44	28.71	31.47
1000	27.44	27.08	29.78
1030	27.44	28.71	31.48
1100	27.44	28.74	31.52
1130	27.44	28.76	31.54
1200	27.44	28.75	31.53
1230	27.44	28.71	31.48
1300	27.17	28.66	31.39
1330	27.17	26.78	29.41
1400	25.91	35.15	38.04
1430	25.91	35.15	38.00
1500	25.91	35.15	37.99
1530	25.91	35.15	38.03
1600	25.91	35.01	37.92
1630	25.91	37.12	39.96
1700	33.00	37.12	39.93
1730	33.00	35.02	37.88
1800	33.00	26.77	29.40
1830	25.91	24.94	27.51
1900	25.35	24.94	27.53
1930	25.35	24.94	27.54
2000	25.35	24.25	26.81
2030	19.07	24.25	26.81
2100	19.07	24.94	27.51
2130	25.95	37.10	40.02
2200	34.00	37.10	40.05
2230	34.00	32.52	35.38
2300	20.50	24.25	26.82
2330	19.00	24.09	26.69
2400	19.07	23.85	26.80

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.98/MWh becomes 1.698p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their [illegible] Information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0532-466789 between 8:30am and 5:15pm Monday to Friday.
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INTERNATIONAL CAPITAL MARKETS

Bund prices slip as hopes fade of lower German rates

By Sara Webb in London and Patrick Harverson in New York

EUROPEAN government bonds fell back yesterday with Germany leading the decline. The quarter-point slide in bund prices was mainly futures-driven, dealers said, pointing out that many market participants were still on holiday.

The fall reflects concern that the Bundesbank will be unable to lower interest rates in the near term, given the poor money supply data released recently.

GOVERNMENT BONDS

The Bundesbank council is due to hold its regular meeting tomorrow, but dealers do not expect to see signs of easing. At this week's repo, the lowest accepted two-week repo rate is expected to remain unchanged at last week's level of 7.60 per cent.

The Liffe bund futures contract, which opened at 94.08, reached a high of 94.22 and then dropped to a low of 93.72. The future picked up a little and traded at 93.83 by late afternoon, on volume of 57,000 contracts.

The Bundesbank announced yesterday that the German government was launching a new five-year note, due May 20, 1998. Dealers said the news added to supply concerns in the market and led to some flattening in the yield curve.

■ THE fall in Germany helped to pull down other European government bond markets, with French bonds slipping back to close lower on the day.

On the Matif futures exchange in Paris, the June bond futures contract fell 0.38 to 116.46. The spread between the 10-year OAT and the 10-year bund was unchanged at 38 basis points.

The French Treasury announced it would sell between FFr20bn and FFr22bn of new bonds at its monthly auction of OATs tomorrow.

■ AMONG the high-yielding bond markets, Spain fell back as hopes of lower interest rates across Europe subsided and the peseta remained relatively weak. The Meffsa futures contract fell from 88.51 to 88.21.

In the Italian market, the bond futures contract slipped despite some favourable news on inflation, with consumer prices rising a provisional 4 per cent higher year-on-year in May after a 4.2 per cent rise in April. The Liffe June BTP contract settled at 99.09 against 99.18 at the previous close.

■ UK government bond prices ended between ⅛ and ¼ point higher than their previous close, buoyed by speculation of an interest rate cut following last week's sacking of Mr Norman Lamont and the appointment of Mr Kenneth Clarke as chancellor of the exchequer.

"Rumours of base rate cuts gave short-dated gilts a boost," said Mr John Kendall, economist at Baring Sterling Bonds, adding that the speculation probably contributed to sterling's weakness against the D-Mark and dollar yesterday.

The 7¼ per cent gilt due 1998 rose ¼ to trade at 100$\frac{23}{32}$ by late afternoon, while the 8 per cent gilt due 2003 rose $\frac{5}{32}$ to 99$\frac{13}{32}$.

■ US Treasury prices firmed across the board yesterday on bullish inflation and employment data that came with a generally weak May purchasing managers' report.

By midday the benchmark 30-year government bond was up $\frac{3}{16}$ at 102$\frac{13}{32}$, yielding 6.934 per cent. At the short end of the market, the two-year note was also firmer, up $\frac{1}{32}$ at 99$\frac{31}{32}$, to yield 4.191 per cent.

The market opened a busy, holiday-shortened week in a positive mood, thanks to a National Association of Purchasing Management's report which showed its index of manufacturing activity up only slightly to 51.1 in May, and its employment and inflation components both down. The employment number was particularly closely watched, because it could prove a precursor of the May jobs report, which is due on Friday.

The economic data aside, attention remained fixed on the political front, and on the passage of President Clinton's deficit-reduction package through Congress. Price gains were partly attributed to reports over the weekend that compromises struck between the White House and leading Congressmen made it more likely that the package would be approved by the Senate.

■ THE yen's continued strength against the US dollar provided support for Japanese government bond prices yesterday, and the market ended slightly firmer.

The yield on the benchmark No 145 JGB opened at 4.575 per cent and moved to 4.54 per cent before ending at 4.55 per cent. The September futures closed 0.12 higher at 107.18 after rising as high as 107.40.

Dealers attributed the market's firmness to the continued rise of the Japanese currency, as the dollar broke through the Y107.00 level and reached a new post-War low of Y106.50 yesterday.

● THE Dutch finance ministry will go ahead as scheduled to reopen its current tap issue of 30-year 7.5 per cent government bonds tomorrow, AP-DJ reports from Amsterdam.

Subscription lists for the long bonds in the one-day offering will close at 08.00 GMT, with results of the tender being made public a few hours later.

Yesterday previously issued 30-year bonds were changing hands in the secondary market at 102.89 to 103.14 to yield 7.26 to 7.24 per cent.

This week's auction will be the fourth of the scheduled six tranches of sales of the 30-year bonds.

The most recent issue was on April 1, when the ministry accepted Fl 950m of bids at a price of 104.50 to yield 7.13 per cent.

In the first three tranches of the 30-year issues, the government raised Fl 5.45bn of funding. It aims to attract close to Fl 10bn of funding through the entire six tranche tap issue.

In total, the government has raised Fl 23.45bn of funding via a mix of 30-year, 10-year and 15-year bonds public bonds so far this year. It also has raised an unspecified amount via private placements of government paper.

The government has a public sector borrowing requirement of just over Fl 41bn for 1993.

The next scheduled tender for 10 to 15 year government bonds is set for June 11, the finance ministry said.

FT FIXED INTEREST INDICES

	June 1	May 28	May 27	May 26	May 25	Year ago	High *	Low *
Govt Secs (UK)	94.84	94.58	95.08	94.99	94.84	89.58	98.04	93.28
Fixed Interest	111.13	111.49	111.54	111.47	111.33	105.92	113.83	106.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 113.83 (8/3/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	May 28	May 27	May 26	May 25	May 24
Gilt Edged Bargains	87.8	101.2	106.3	95.4	87.3
5-Day average	97.6	95.1	93.2	91.8	97.8

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	112.2213	-1.297	7.74	7.57	7.54
BELGIUM		9.000	03/03	110.9500	-0.250	7.39	7.40	7.56
CANADA *		7.250	06/03	98.3000	+0.200	7.49	7.62	7.51
DENMARK		8.000	05/03	103.0500	-0.250	7.55	7.48	7.71
FRANCE	BTAN	8.000	05/98	104.8988	-0.389	6.79	6.65	6.79
	OAT	8.500	04/03	108.3600	-0.400	7.28	7.18	7.22
GERMANY		6.75	04/03	98.9550	-0.275	6.90	6.83	6.79
ITALY		11.500	03/03	97.1500	+0.215	12.38†	12.27	12.90
JAPAN	No 119	4.800	06/99	101.5483	+0.071	4.47	4.60	4.34
	No 145	5.500	03/02	105.9710	+0.263	4.56	4.61	4.38
NETHERLANDS		7.000	02/03	101.9400	-0.080	6.71	6.69	6.72
SPAIN		10.300	06/02	95.7448	-0.590	11.08	11.02	11.68
UK GILTS		7.250	03/98	100-17	+4/32	7.11	7.10	7.18
		8.000	06/03	99-13	+3/32	8.09	8.05	8.10
		9.000	10/08	104-11	+5/32	8.49	8.46	8.47
US TREASURY *		6.250	02/03	101-00	-	6.11	6.37	5.97
		7.125	02/23	102-13	+2/32	6.93	6.98	6.89
ECU (French Govt)		8.000	04/03	103.0300	-0.270	7.55	7.48	7.83

London closing *New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Spotlight falls on Canadian dollar sector

By Tracy Corrigan

THREE new issues totalling C$1.65bn refocused attention on the Canadian dollar market, after a quiet period.

The Province of British Columbia's debut global offering of C$1.25bn of bonds stole the limelight from two smaller issues. Dealers reported strong demand for British Columbia's 10-year bonds, priced to yield 45 basis points more than the comparable Canadian government bond.

INTERNATIONAL BONDS

"British Columbia is a rare borrower, even in the Canadian domestic market," said one dealer. While some other Canadian provinces have already flooded the domestic market with paper, demand for British Columbia held up well across all three time zones.

The Provinces of Ontario and Quebec have already issued bonds using the global bond structure, which allows bonds to be sold and traded in the Far East, Europe and North America, and Ontario is said to be in discussions with underwriters over a further global offering denominated in Canadian dollars.

A C$200m 10-year offering for Kansai International Airport was also well received. The borrower has already tapped the market on a handful of occasions, but this could mark its last visit to the capital markets for some time, as the first stage of the construction of the airport is close to completion, according to lead manager IBJ International.

The yield spread of 42 basis points over 10-year Canadian government bonds was considered an attractive pricing for Japanese government-guaranteed debt by both Japanese and European investors.

Dealers reported somewhat slower demand for a $200m five-year issue for Nippon Telegraph and Telephone, arranged by IBJ.

In the Dutch market, the World Bank launched a Fl 750m issue of 10-year bonds via ABN Amro Bank, priced to yield 8.4 basis points over the 10-year Dutch government bond, which dealers said offered reasonable value compared with other secondary market issues.

In the sterling bond market, Cheltenham and Gloucester, the UK building society, launched its first publicly traded fixed-rate debt, a £150m five-year issue via J. P. Morgan. The deal was priced to yield 70 basis points over the five-year UK gilt, but the spread widened slightly due to the rally in the UK gilts market.

Elsewhere, Portugal is said to be preparing to launch a DM1.5bn to DM2bn bond issue, possibly this week, depending on market conditions. Deutsche Bank and Dresdner Bank are said to be the leading candidates to arrange the issue.

Portugal's foreign debt rating was upgraded last week from A plus to AA minus by Standard & Poor's. The improved rating should allow the Portuguese government to achieve slightly finer terms for a new bond offering.

● The OMLX Exchange and OM Stockholm, the London- and Stockholm-based derivatives exchanges, are planning to launch three new series to add to the 17 Swedish stock futures and options presently traded. The stocks are Sandvik, Stora, and Nordström & Thulin.

● The UK's Office of Fair Trading said that none of the rules of the New York Mercantile Exchange (Nymex) was likely to prevent competition in the market for futures and options in the UK to any significant extent, Reuter reports from London. Nymex has applied to operate in the UK using Access, its electronic order matching and trade execution system.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Daiwa Kosho Lease Co.(a)ф	200	1.125	100	Jun.1997	2.25	-	Daiwa Europe
YEN							
SBAB	10bn	4	100.2R	Sep.1995	0.2R	-	Bank of Tokyo Cap.Mkts.
STERLING							
Cheltenham & Gloucester BS	150	7.875	99.57R	Jun.1998	0.3R	+70 (7¼%-98)	JP Morgan Securities
CANADIAN DOLLARS							
Prov. of British Columbia(b)	1.25bn	7.75	98.725R	Jun.2003	0.35R	+45 (7¼%-03)	ScotiaMcLeod(b)
Kansai Intl. Airport Co.	200	8	99.58R	Jul.2003	0.325R	+42 (7¼%-03)	IBJ International
Nippon Telegraph & Telephone	200	7.25	99.5R	Jun.1998	0.25R	+37 (6¾%-98)	Paribas Capital Markets
GUILDERS							
World Bank	750	6.75	99.9R	Jun.2003	0.25R	+8.4(6½%-03)	ABN Amro Bank
DANISH KRONER							
Mortgage Bank of Denmark	300	7	101.3	Jul.1996	1.375	-	Kredietbank, Brussels
SWISS FRANCS							
Iberdrola International	200	5.25	101	Jul.2003	-	-	UBS
Japan Transcity Corp.(c)✶ф	100	1.125	100	Jun.1997	-	-	Credit Suisse
National Power Co.of Iceland	50	5.5	101.75	Jun.2000	-	-	UBS

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ✶Private placement. фWith equity warrants. R: fixed re-offer price; fees are shown at the re-offer level. a) Final terms fixed on 7/6/93. b) Global issue. ScotiaMcLeod is global co-ordinator. Joint bookrunners are IBJ Intl., Merrill Lynch Intl. and RBC Dominion Secs.

Regulator sees growth in French shareholders

MR PIERRE Fleuriot, managing director of the Commission des Operations de Bourse, France's stock market regulator, believes the large individual shareholding base in France could be maintained and even enlarged, Reuter reports from Paris.

"There is a historic base of individual shareholders which was created during the 1980s and there is a potential for new shareholders," Mr Fleuriot said, during the release of a survey on shareholders.

He said growth could come from the transfer of savings from money market funds into shares and from employees buying shares in their own companies as these are privatised.

"According to the poll, there are 4.5m individual shareholders, about 11 per cent of the French population, which hold a third of the bourse's capitalisation."

Mr Fleuriot said 60 per cent of individual shareholders started investing in shares between 1978 and 1980, attracted by the launch of the equity mutual funds with tax breaks aimed at private investors.

A further 30 per cent were drawn to the stock market between 1986 and 1987 during the last wave of privatisations.

Most of the individual shareholders were small shareholders – 50 per cent of them had portfolios worth less than FFr50,000. They continued to invest in shares despite the market turbulence of 1987 and 1989 and the poor economic climate.

He also said individuals who bought shares in newly-privatised companies in 1986 and 1987 had seen their portfolios rise in value by 38 per cent even before dividend payments.

Mr Fleuriot said there was a reserve of new shareholders, including savers, who could be tempted out of money market funds because of the fall in interest rates. About two thirds of the investments in money market funds belonged to individuals he said.

The government is hoping to raise FFr40bn by the end of the year through privatisations.

MARKET STATISTICS

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	61	9	9
Other Fixed Interest	3	0	12
Commercial, Industrial	274	231	894
Financial & Property	91	128	590
Oil & Gas	16	19	49
Plantations	0	0	8
Mines	33	39	66
Others	31	58	42
Totals	509	484	1,652

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amt Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
46	F.P.	-	57	55	Break for the Border	57	+1	N-	-	-	6.9
25	F.P.	-	33	29	Brancliffe Aggregates	33		-	-	-	-
100	F.P.	-	109	95	Caine Inv. Tst.	96		-	-	-	-
-	F.P.	-	52	32	Do Warrants	51		-	-	-	-
40	F.P.	-	102	79	Division Group	98	+2	-	-	-	-
105	F.P.	-	155	136	Drew Scientific	136		N-	-	-	-
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
440	Nil	8/7	51pm	49pm	Avon Rubber	49pm	-1
165	Nil	14/6	68pm	53pm	BTP	65½pm	+4½
245	Nil	2/7	67pm	58pm	British Airways	60½pm	-5½
420	Nil	2/7	80pm	64pm	Compass	74pm	
29	Nil	14/6	10½pm	8pm	Conrad Ritblat SE	8pm	
108	Nil	8/7	21pm	18pm	Countryside Prop.	20pm	
125	Nil	9/7	10pm	10pm	Davenport Vernon	10pm	
12	Nil	8/7	½pm	¼pm	EFG	½pm	
6	Nil	5/7	2½pm	4pm	Greycoat	1pm	-½
5	Nil	9/7	2½pm	1½pm	Harmony Leisure	2½pm	
14	Nil	7/7	4pm	2½pm	Jarvis	3pm	
235	Nil	7/7	38pm	25pm	Royal Insurance	28pm	-2
130	Nil	6/7	54pm	29pm	Saatchi & Saatchi	41pm	
171	Nil	30/6	13pm	10pm	United Drug	12pm	

b Figures based on prospectus estimates. N Figures based on NMR "Headline Earnings" draft proposals. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ф Issued by way of rights. † Introduction. § Placing price. ф Unlisted securities market. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings June 1
- Last Dealings June 11
- Last Declarations Sept. 2
- For settlement Sept. 13

3-month call rate indications are shown in Saturday editions.
Calls in: APV, Channel Hidge., Dares Est., Greycoat, Harlstone, IBM, Kelt Energy, Pentos, Simon Eng. and Vodaphone. Put in: IBM. Puts & Calls: Harlstone, MTM, Nth. Broken Hill, Regalian and Rothmans.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied-Lyons	500	37½	52½	60½	9	17	24½
(*524)	550	12	26	34½	35½	42½	48½
[illegible]							

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Brit Aero	330	43½	56½	65	19	30	38
(*354)	360	27½	42	51	34	47	54
[illegible]							

Option		Calls Jul	Calls Oct	Calls Feb	Puts Jul	Puts Oct	Puts Feb
Grand Met	390	27	38	47	12	19	26
(*404)	420	11	23	32	29	35	44
Ladbroke	160	23	29	32	4½	10	13
(*178)	180	11	17	22	12	20	24
Utd Biscuits	360	41	53	59	8	14	22
(*388)	390	22	35	44	21	29	38

Option		Calls Jul	Calls Oct	Calls Dec	Puts Jul	Puts Oct	Puts Dec
Fisons	160	15	22½	25	11	16	22
(*161)	180	8½	15	17	24½	31	34

Option		Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
Abbey Natl	390	28	35	46	2½	14	19
(*410)	420	5	17	29	16	29	34
Amstrad	30	3½	6	7½	1	3	4
(*33)	35	1	3½	5½	4	5½	7
Barclays	420	36	49	59	1½	11	17
(*455)	460	8	25	35	13	28	36
Blue Circle	240	12½	24	29½	4	12	19
(*248)	260	3	14	20½	16½	23½	30½
British Gas	280	13	22½	27	3	8	15
(*289)	300	3	11½	16½	12½	18	25½
Dixons	200	19	28	34	2½	12	17
(*216)	220	5	17	24	11	22	27

FT-SE INDEX (*2846) [illegible]

Jun	217	168	120	74	38	16	5	1½
Jul	231	184	140	100	67	40	21	11
Aug	241	198	157	121	89	64	42	27
Sep	262	210	173	137	107	80	57	41
Dec †	-	250	-	184	-	126	-	83
PUTS								
Jun	2	4	8	12	27	58	103	153
Jul	6	12	18	29	47	74	108	154
Aug	15	20	30	44	65	88	120	158
Sep	22	30	42	57	77	100	129	168
Dec †	-	54	-	83	-	131	-	190

1 June Total Contracts 14,546
Calls 8,360 Puts 6,186
FT-SE Index Calls 1,944 Puts 2,180
Euro FT-SE Calls 50 Puts 810
*Underlying security price. † Long dated expiry months. Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Tue Jun 1	Day's change %	Fri May 28	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (26)	128.19	+0.17	127.98	2.42	4.06
2	5-15 years (22)	148.42	+0.28	148.14	2.64	5.22
3	Over 15 years (10)	168.67	+0.22	168.32	2.98	3.48
4	Irredeemables (6)	176.02	+0.24	174.67	1.92	6.36
5	All stocks (64)	143.17	+0.19	142.89	2.82	4.55
	Index-Linked					
6	Up to 5 years (2)	184.27	+0.08	184.13	0.81	1.92
7	Over 5 years (11)	173.94	-0.01	173.98	1.28	1.72
8	All stocks (13)	174.22		174.22	1.18	1.78
9	Debs & Loans (68)	127.21	+0.04	127.16	2.16	4.79

	AVERAGE GROSS REDEMPTION YIELDS		Tue Jun 1	Fri May 28	Year ago (approx.)
	British Government				
1	Low	5 years	7.14	7.20	7.93
2	Coupons	15 years	8.10	8.13	8.80
3	(0%-7¾%)	20 years	8.32	8.34	8.80
4	Medium	5 years	7.37	7.42	9.08
5	Coupons	15 years	8.59	8.62	8.85
6	(8%-10¾%)	20 years	8.69	8.62	8.81
7	High	5 years	7.59	7.64	9.27
8	Coupons	15 years	8.75	8.77	9.03
9	(11%-)	20 years	8.79	8.82	8.97
10	Irredeemables(Flat Yield)		8.63	8.66	9.02
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.97	2.95	3.98
12	Inflation rate 5%	Over 5 yrs.	3.56	3.56	4.29
13	Inflation rate 10%	Up to 5 yrs.	2.22	2.23	3.28
14	Inflation rate 10%	Over 5 yrs.	3.38	3.36	4.11
15	Debs &	5 years	9.01	9.03	10.32
16	Loans	15 years	9.48	9.48	10.07
17		25 years	9.63	9.63	10.99

Ex-communists help De La Rue rise 34%

By Andrew Bolger

PROVIDING bank notes and passports for 26 former communist countries helped De La Rue, the security printer and cash-handling machine group, offset the declining world demand for cheques.

Pre-tax profits in the year to March 31 increased by 34 per cent from £77.9m to £104.7m, which was at the top end of City expectations. Sales rose by 35 per cent to £559.5m, against £415.4m, which included £15.1m from discontinued activities.

The biggest jump in profits came from payment systems, which included a full year's contribution from Inter Innovation, the Swedish competitor it acquired for £94.7m at the end of 1991.

Mr Jeremy Marshall, chief executive, said the overall market for cheques fell by 2 per cent last year, and was expected to continue to decline at similar or increasing rates as debit cards became established. However there was no sign of a drop in demand for banknotes in any market.

De La Rue supplies the Royal Bank of Scotland and some building societies with debit cards incorporating laser-engraved users' photographs, which have sharply reduced fraud levels.

Yesterday, the company also announced a joint sales venture in the UK and Irish Republic with Philips, the Dutch electronics group, to develop "smart cards", which use embedded microchips to authorise transactions.

Strong internal cash generation helped the group increase its net cash over the year from £111.5m to £170.9m at March 31. Mr Marshall said the group was ready to expand, but any acquisition would have to be in a related area and enhance earnings, which was not a common combination.

Operating profits grew by 22 per cent to £79.4m, compared with £65m which included profits on discontinued activities of £1.4m.

Payment systems accounted for 59 per cent of sales and 46 per cent of operating profits, compared with 48 per cent and 36 per cent previously.

Lord Limerick, the chairman, said "the group has entered the new year with strong order books in the major businesses and we look forward to continued earnings growth in the current year."

The proportion of the group's sales arising outside the UK and Ireland increased from 90 to 91 per cent. Sales in the rest of Europe increased from 44 to 48 per cent, including an increase in Germany from 26 to 28 per cent.

Earnings per share rose by 24 per cent to 38.8p (31.2p). A 14 per cent increase in the recommended final dividend to 13.15p gives a total for the year of 17p against 15p, a 13 per cent advance.

See Lex

Bristol Evening Post at £4.1m and cautious for this year

By Peggy Hollinger

COST-CUTTING helped to boost profits at Bristol Evening Post, the regional newspaper group which recently shrugged off Mr David Sullivan, its long-time hostile shareholder and Sunday Sport publisher.

The group announced a 22 per cent jump in pre-tax profits to £4.1m on sales 1 per cent lower at £60.6m for the year to March 31. The figures compared with profits of £3.35m on turnover of £61.4m.

The profit advance was helped by the introduction of FRS 3 which resulted in the comparative profits being restated downwards. Last year's reported figure was £4.06m.

Mr Stanley Clarke, chairman, said the loss of 122 production and distribution jobs had resulted in a £1.14m reduction in staff costs.

However, the company was still cautious on trading for the present year. Mr Clarke said both advertising and circulation were running at lower levels than last year.

"The recovery will be slow," he said. "The current situation is still erratic." As a result, the final proposed dividend is being maintained at 7.75p, making a total for the year of 11.75p, a 2 per cent advance on last year's 11.5p. Earnings per share were 1.2p ahead at 11p.

The group took a £1.8m charge to pay for the costs of the reorganisation, which was offset by a £1.6m profit on the sale of investments.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Atkins	fin	4.25	July 21	4	7.85	7.6
Borthwicks	fin	0.7	Aug 4	0.6	1.2	1.1
Bristol Eve Post	fin	7.75	July 28	7.75	11.75	11.5
De La Rue	fin	13.15	Aug 13	11.5	17	15
Faber Prest	int	5	July 22	4.3 •	-	12
Westland	int	1.25	July 30	1.25	-	4.25

Dividends shown pence per share net except where otherwise stated.

Correction

Sears

Sears paid £555,000 compensation to two directors, Mr John Osborn and Mr John Lovering, on termination of their contracts last year. Mr Michael Pickard was incorrectly identified yesterday as a third recipient.

Orchestrators of a classic change of tempo

Alan Cane on the background to the rapidly improving fortunes of Cray Electronics

SIR PETER Michael is not only busy getting Classic FM, the radio station where he is the single largest shareholder, off to a flying start. He and his fellow board members at Cray Electronics are orchestrating another unexpected success story.

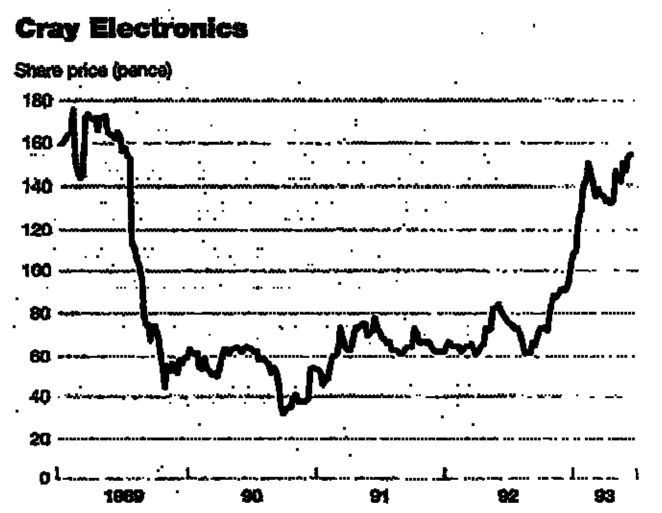
Cray, no relation to the US supercomputer maker, is the former high technology wonder stock brought low by mismanagement and controversial accounting policies.

The 1989 debacle resulted in the injection of a new management team led by Sir Peter as chairman and his colleagues, Mr Roger Holland and Mr Jon Richards, as deputy chairman and managing director respectively. The three made their collective name turning round UEI, an engineering group they sold in 1989 to Carlton Communications for £506m.

Cray, a diverse collection of electronics-related companies burdened by heavy debt, looked a stiffer challenge. Sir Peter said at the time that the company was in serious trouble and that recovery would take two to three years. Analysts were understandably cautious: "A speculative investment" was one conclusion; "not for the risk averse", another.

Now the music has changed tempo. Cray's share price stands at 154p, up from a low of 32p, giving a market capitalisation of about £300m. Net debt, which at one stage in 1989 amounted to almost £50m, has been eliminated through margin improvements, cost reductions and the disposal of 14 of the company's rag-bag of businesses. There is net cash of £10m. Turnover in the year to April 1993 is likely to be £200m and the City is estimating taxable profits at £17m: "The group will not disappoint market expectations", says NatWest Securities in a bullish note this month.

Mr Holland has now taken over as chairman; Sir Peter remains a non-executive director. Cost cutting and disposals sowed the seeds of Cray's recovery but with interests ranging from aerospace systems to sonar equipment, the business lacked focus. The key to Cray's new-found credibility seems to be the £50m acquisition in July last year of Dowty IT, the information technology interests of the Dowty engineering group.



Source: Datastream

What Cray bought in Dowty IT was principally Case Communications, a small UK-based data communications company with a good reputation for technology but an indifferent business track record. The Dowty acquisition enabled the management to group its various businesses into three more or less natural divisions – Cray Communications, Cray Systems and Cray Technology. Cray Systems, turning over 20 per cent of group revenues, includes the software products and services; the company is the leading supplier of software to the European Space Agency and is the market leader in systems for tour and ferry operators.

Cray Technology, generating 15 per cent of group revenues, is, as group managing director Mr Jon Richards accepts, a disparate bundle of electronics concerns most of which are related to the defence industries including high resolution computer graphics displays and high security power supplies. They are, he says, non-core businesses, but the individual activities are profitable; the strategy is to drive down costs while building long-term partnerships with customers.

Cray Communications, however, with likely sales last year of £130m, or 65 per cent of group turnover, is the principal plank in the group's strategy. Formed by merging the activities of Cray's own communications division with Dowty Case and Dowty Information Systems, its products and services are at the heart of the one of the fastest growing areas of business technology.

Companies are increasingly connecting their personal computers together in local area networks (lans), going on to create enterprise-wide communications by linking lans together using wide area networking (wan) technology.

According to the market consultancies IDC and Dataquest, the market for wan access and lan interconnect products is expected to grow from $1.9bn in 1986 to $10.1bn (£6.5bn) in 1996, or 500 per cent growth in 10 years. Products where growth of more than 50 per cent a year is expected include lan hubs, data communications using asynchronous transfer mode (atm) rules, a likely standard for future high capacity networks and frame relay, a high speed, low cost communication technique for voice and data.

Cray is active in all these technologies. It claims to be the European market leader in wide area networks and number three in the world after Motorola and Racal. It also reckons to be number eight in the intensely competitive lan business behind new stars of the communications business like Novell, Cisco and 3Com, all of the US.

The strategy seems sound but execution, especially in the frenetic world of electronics, is another matter.

Mr Richards says his business imperatives are to invest further in manufacturing, exploit the strength of the company networking products and unify worldwide operations. The objective is to raise gross margins to the 14 per cent level some time next year.

The company continues to suffer, however, from a lack of visibility. If potential investors recognise it at all, they remember the dodgy accounting saga or the abortive bid for SD-Scicon, where it was pipped at the post by EDS. A spectacular success in the marketplace would underscore its claim to be one of the UK's leading IT companies.

Nissan's UK subsidiary advances 66% to £30m

By Kevin Done,
Motor Industry Correspondent

NISSAN MOTOR Manufacturing (UK), the Japanese car maker's British car production subsidiary which is based in Sunderland Tyne and Wear, increased its 1992 pre-tax profit by 66 per cent from £17.8m to £29.6m.

Nissan Motor (GB), the group's British sales and marketing subsidiary, suffered a loss of close to £17m in its first year of operation.

NMGB took control of the British importing/distribution activities from Nissan UK, the privately owned group controlled by Mr Octav Botnar, at the beginning of 1992.

By the end of the year NMGB had established a 270-strong dealer network, which is expected to grow to about 300 by the end of 1993.

NMUK's profit was its second successive annual surplus since it began car production in the UK in 1986 and followed a £44.6m loss in the nine months to the end of 1990.

The losses accumulated since 1985, which totalled £129m at the end of 1990, were reduced to £111m by the end of 1991 and were cut further to £88m by the end of last year.

The remuneration of Mr Ian Gibson, NMUK chief executive, rose by 11.9 per cent from £192,797 to £215,800.

Average employment in Sunderland by the NMUK group, which includes Nissan Yamato Engineering, its 80 per cent-owned heavy pressings subsidiary, rose to 4,974 in 1992 from 3,368 a year earlier. NMUK alone has a workforce of about 4,600 with some 600 employed by Nissan Yamato.

The financial performance of the British manufacturing operation provided a bright spot in a difficult year for Nissan, Japan's second largest car maker, which last week announced a group pre-tax loss of Y108bn (£645m) in the 12 months to the end of March.

NMUK's turnover jumped last year to £1.05bn against £779m in 1991 and £383m in the final nine months of 1990.

The higher turnover and profits at its £900m car plant at Sunderland in north-east England was derived from a big jump in output as Nissan began production of a second car range, the Micra small car, in August last year.

Nissan's car production in the UK rose by 44 per cent last year to 179,000 against 124,500 in 1991. Exports rose from 112,700 to 154,234.

Nissan is planning to raise car production in the UK further, by 51 per cent this year to 270,000.

COMPANY NEWS: UK

Restructured Borthwicks £2m in the red

By Catherine Milton

BORTHWICKS, the flavourings maker, yesterday reported a swing from profits of £1.29m to losses of £1.99m pre-tax for the 12 months ended March 27 at the end of 13 years of restructuring.

The deficit mainly reflected the one-off cost of disposing of loss-making meat interests and concealed operating profits on continuing operations of £1.97m (£1.53m) after stripping out losses from businesses now sold.

Comparisons have been restated to comply with the FRS 3 accounting standard.

Losses per share emerged at 3.8p (earnings 1.8p) but a proposed final dividend of 0.7p lifts the total by 9 per cent to 1.2p (1.1p).

Mr John Thomson, chairman, said: "A serious profit haemorrhage has been staunched and Borthwicks is now moving forward unencumbered in its chosen field of natural flavours."

Borthwicks said it now produced a range of flavours, some of which were popular with cave men in prehistory, while others were aimed at the new age community.

Recessionary conditions pushed turnover down to £43m (£44.4m). The figure included £17.4m from discontinued operations – Burton Son & Sanders, the bakery business, Consumer Products, the prepared meals maker and Ringer abattoir, which have all been sold.

The company reported net exceptional charges of £2.65m relating to the final stages of the restructuring. Interest payments fell to £614,000 (£707,000). Gearing declined to 44 per cent (67 per cent).

Nac Re to establish reinsurance arm in UK

By Richard Lapper

NAC RE Corporation, the eighth largest US reinsurance company, intends to inject £50m into a new London-based reinsurance subsidiary.

The move signals growing investor interest in international reinsurance markets where rates are increasing following heavy losses in recent years and represents a vote of confidence for the London reinsurance market which has seen a number of withdrawals in recent months.

"The accelerated pace of change in the London market and the need for stable, financially secure reinsurers, presents Nac Re with an exceptional opportunity to expand and diversify its client bade," said Mr Ronald Bornhuetter, president and chief executive.

"We believe that London remains the best location to assess high quality international reinsurance business," he added.

Several large companies, including Victory Re, the subsidiary of International Nederlande Groep and NWRe, the joint venture between Winterthur of Switzerland, Norwich Union and Chiyoda, pulled out of the market earlier this year and a number of other players have reduced their exposures.

Nac Re is establishing a London contact office for the new venture, pending regulatory approval. Mr Charles Catt, formerly assistant general manager with NWRe, is to head the new venture. Mr Bornhuetter said Mr Catt "shares our commitment to financial security, disciplined underwriting and superior client service."

Nac Re underwrote gross premiums of $366m (£238m) in 1992.

Excavator that ploughs a lonely furrow

JC Bamford maps out its strategy to improve profitability. Andrew Baxter reports

THERE WERE raised eyebrows at the Chelsea Flower Show last week when a hitherto unknown plant species, *skidsteerloaderus britanicus*, was found nestling coyly among the more conventional flora.

The challenge to horticultural orthodoxy was mounted by JC Bamford Excavators, Britain's biggest construction equipment company and no shrinking violet when it comes to publicity. It was all because a new bright yellow rose, Mr JCB, was being named in honour of Mr Joe Bamford, the company's 76-year-old founder.

However, Mr Bamford's son, Sir Anthony Bamford, chairman of the Staffordshire-based group since 1975, is currently more concerned with growing profits than plants.

In an interview with the Financial Times at the Samoter construction equipment show in Verona, the JCB chief mapped out the company's future strategy, revealed how he wanted to improve JCB's profitability, and let slip a few numbers from the privately-held company's accounts.

The past three years have been tough for JCB, one of the UK's most widely admired engineering companies. Sir Anthony said the maker of backhoe loaders, telescopic handlers and other earthmoving and agricultural equipment had seen profits fall from a peak of nearly £50m in 1988 to a group net figure of £9m last year, on a decline in sales from £450m to £350m.

However, unlike the majority of its larger and smaller rivals, debt-free JCB has stayed profitable – even while its sales volumes have dropped from a rate of 20,000 units a year in 1988 to 9,000 units last year.

New products, a big programme to reduce break-even levels and strong sales in Europe – until recently – have offset a recession of unprecedented length and severity in the UK market.

Sir Anthony says he is not happy with last year's profits. "We should be making £25m to £30m, even at current levels of demand." On a conservative forecast he believes JCB could double profits this year – due not only to new products and lower break-evens, but also to a recent reorganisation that has put the main equipment lines into three additional product-related profit centres. "We needed it to make it much clearer throughout the company that it was necessary to make a profit," says Sir Anthony.

And that is despite the weakness in continental markets which is worrying the industry just as glimmers of hope are emerging in the UK. "France is at a dead stop, Italy has just come to a halt too, and Spain is in a terribly bad way. The German market is about to fall off, but growth in eastern Germany is still continuing," says Sir Anthony.

The reorganisation should allow JCB to speed up further its product development programme. But Sir Anthony signalled that the company was entering a consolidation period, concentrating on developing its existing products after a spurt of new ones over the past two years.

"We've used the recession as a time to bring new products out," he says. "It shows you're not demoralised, and it's something new to go to customers with."

The new products include the Fastrac high-mobility vehicle – launched in 1991 and aimed at farmers – and JCB's crawler excavator range – produced at Uttoxeter by a joint venture with Japan's Sumitomo Construction Machinery.

However, the star new product is looking like the JCB Robot skid-steer loader, launched this spring and designed with a single boom to allow the driver in and out through a side door. "The acceptance has been fantastic, and we can't keep up with demand," enthuses Sir Anthony. "The safety features mean customers have to be interested."

Already, JCB is coming under pressure from its sales subsidiaries to step up production. Even in Italy, where sales of larger machines have come to a virtual standstill because of the corruption scandals and the curbs on public spending, JCB's sales subsidiary is planning to sell 180 this year.

The Sumitomo joint venture was a way for JCB to replace its outdated range of crawler excavators, and the venture is now producing prototypes for a wheeled excavator due to be launched next year.

However, Sir Anthony does not believe the UK company will need to make further such ventures – either because JCB's products are already competitive or because the UK company can fix them itself.

The main priority is to broaden and improve JCB's wheeled loader range, seen both within and outside the company as a poor relation. "We've got to become a European force in wheeled loaders," says Mr Martin Coyne, chief executive, noting that Germany accounts for about half the market.

Sir Anthony's target is to make JCB Europe's biggest construction equipment group – it already is in unit terms, but its European sales are a long way behind Brussels-based VME and Caterpillar of the US, which make a lot more larger machines.

Whatever the chances of JCB ever achieving this, Sir Anthony makes two things clear. First, JCB has no intention of going public. "Being private is very important," he says. "It has enabled us to plough our own furrow through the good and the bad times and not be swallowed up."

It's not just a question of the time saved in not having to talk to analysts, says Sir Anthony. "All our capital investment would be looked at in a different light if we were a public company."

JCB would have to justify policies which the City would inevitably criticise. Against the trend in the industry, for example, JCB makes most of its own axles and gearboxes.

This makes good commercial sense, says Mr Coyne. "It gives us an extra area where we can have an edge over our rivals, and sales to outside customers are rising."

Secondly, Sir Anthony is sticking to a growth strategy that has achieved success without making acquisitions, apart from one in 1968. "We're not speculative, it's going to be boring old organic growth," he says.

Sir Anthony Bamford: "We're not speculative, it's going to be boring old organic growth"

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Barcom, French (Thomas), Kleen-e-ze, Stakis.

Finals- Cupid, Europe Energy, Slebe, Vosper Thornycroft, Wood (SW), Yorkshire Water.

FUTURE DATES

Interims-	
Aberdeen Trust	Jun. 7
Blick	Jun. 8
Dundee & London Inv.	Jun. 24
Electronic Data Proc.	Jun. 16
Gold Fields Coal	Jun. 10
M & W	Jun. 11
Peak	Sep. 7
Watson & Philip	Jun. 10
Finals-	
Anglo United	Jun. 8
Bertam	Jun. 3
Bulgin (AF)	Jun. 11
Deelkraal Gold Mining	Jun. 7
Doornfontein Gold Mining	Jun. 7
Driefontein Cons.	Jun. 7
Foreign & Colonial Inv.	Jun. 14
Great Portland Estates	Jun. 8
Harris (Ph)	Jun. 22
Kewill Systems	Jun. 23
Kloof Gold Mining	Jun. 7
M & G Second Dual Trust	Jun. 9
Mansfield Brewery	Jun. 9
Marwob	Jun. 15
Marshalls	Jun. 8
Martin Shelton	Jun. 10
Oxford Instruments	Jun. 10
Rowe Evans	Jun. 3
Rowlinson Securities	Jun. 3
Southern Water	Jun. 17
Stanley Leisure	Jul. 14
Staveley	Jun. 10
Volex	Jun. 15
Vtech	Jun. 11
Walker & Staff	Jun. 29
Welsh Water	Jul. 15
Wintrust	Jun. 11

CONTRACTS & TENDERS

PERSONAL

NEWS DIGEST

Windsor £1.19m in the red

WINDSOR, the Lloyd's broker specialising in sports, leisure and contingency insurance, is proposing a reduction in capital to remedy the deficit on its distributable reserves.

The move follows a property write-down of £1.7m, taken as an exceptional charge in its interim results announced yesterday.

For the six months to March 31 pre-tax losses amounted to £1.91m (£102,000 profits) on turnover slightly ahead at £3.79m against £3.63m. Interest charges took £106,000 (£155,000).

Mr Michael Eagles, chief executive, said the loss arose primarily because of the increased provision on its investment property in Hemel Hempstead, Hertfordshire. That property was likely to be sold.

He said the new management, established in 1991, continued to concentrate successfully on core insurance activities. Underlying brokerage increased by 9 per cent in the half year.

The directors hope that the proposed capital reduction will lead to a resumption in dividend payments should trading conditions permit. Losses per share for the period amounted to 5.64p (0.21p earnings).

Mr Stanley Cohen, who was chairman for more than two years, has retired from the board. A new chairman will be announced shortly.

Atkins £448,000 in black at year end

Atkins Group, the Leicestershire-based textile company, reported a pre-tax profit of £448,000 for the year to April 3.

That compared with a loss of £227,000 last year and was achieved on turnover up from £16.9m to £17.9m. The comparatives are restated to comply with FRS 3.

Mr Charles Lenox-Conyngham, chairman, said that all but £41,000 of the £967,000 increase in turnover was achieved in the second half.

Borrowings at the year end stood at £733,000 (£1.66m) and gearing was 15 per cent (34 per cent). Earnings per share of 9.81p compare with restated losses of 3.45p and a final dividend of 4.25p (4p) makes a total of 7.85p (7.6p).

Management buys Westwind Bearings

Kleinwort Benson Development Capital has completed the management buy-out of the business and assets of Federal Mogul Westwind Air Bearings from Federal Mogul Corporation of the US.

A new company, Westwind Air Bearings, was formed for the buy-out.

Kleinwort structured, negotiated and led the transaction. Equity capital was subscribed for by funds managed by Kleinwort, the company's management and Federal Mogul.

Federal Mogul received some $17m (£11m) cash and a continuing 20 per cent equity stake.

Blacks agrees sale of LA Gear business

Blacks Leisure Group has agreed the sale of its LA Gear distribution business, including certain fixed assets and stocks, to LA Gear Inc for £1.65m.

Of the purchase price £1.4m will be paid on completion. The consideration will be subject to adjustment following a post completion stocktake.

In addition, the distribution agreement between LA Gear and Blacks' wholly-owned subsidiary, All American Footwear Corporation, will be cancelled in exchange for a payment of £700,000.

Redland completes £10m disposal

Redland has completed the sale of Kent-based Tilmanstone Brickworks to Desimpel, the Belgian industrial company, for £10m.

The disposal completes all the divestments required by the Office of Fair Trading at the time of Redland's acquisition of Steetley last year.

Dutch disposal for Hazlewood Foods

Agreement is near for Hazlewood Foods to sell a Dutch subsidiary to Koninklijke Bolswessanen for cash.

The subsidiary, Luijckx Beheer, produces a wide range of chocolate decoration products. It has annual sales of some Fl 26m and will become part of its new owner's ice-cream, cereals and chocolate division.

British Polythene buys Crown Sacks

British Polythene Industries, the polythene film producer, has purchased the polythene sack business of Crown Sacks & Systems for £4.4m cash.

Crown made pre-tax profits of £464,000 in 1992 on a turnover of £6.57m. Net tangible assets as at December 31 last amounted to £1.51m; the acquired business has no debt.

Following completion of the acquisition, Crown will trade under the name of Flexer Sacks.

Kleeneze sells toiletries division

Kleeneze Holdings has reached agreement for the sale of the business and certain assets of Dalton Young, its toiletries division, to Creighton's Naturally for £630,000.

As part of the sale agreement Creighton's will supply to Kleeneze Homecare toiletries products previously manufactured by Dalton Young.

In addition to the purchase price Kleeneze will receive royalties for three years on future sales of certain products of Dalton Young. These royalties are expected to total between £400,000 and £500,000.

Harrison disposes of French division

Harrison Industries has agreed to sell its French industrial doors division for FFr9m (£1.07m) in cash to La Societe Fontenay Industries.

At March 31 1993 estimated net assets of the two French subsidiaries were FFr2.1m, sales for 1992-93 were FFr35.7m and pre-tax profits FFr1.2m.

The companies are Bostwick France and SCI Harrison. Bostwick will pay Harrison a dividend of FFr6m while Harrison will repay its indebtedness to Bostwick of FFr8.7m.

Net sale proceeds and the dividend will be used to reduce Harrison's borrowing.

Brent Walker sells Brighton casino

Brent Walker has completed the sale, for £700,000 cash, of the capital and assets of Cotedale and Preston Street Properties, to Mr Roy Kerr.

The companies own and operate the International Casino Club in Brighton. In 1991 Cotedale made a pre-tax profit of £2,318 and had net assets of £1.7m, while Preston Street showed a pre-tax loss of £3,798 and negative assets of £4,897.

Brent Walker will use the proceeds to reduce debt.

Plantsbrook placing and acquisitions

Plantsbrook Group, the funeral services provider, has bought two businesses for £990,000 cash and is at an advanced stage of negotiation to acquire a third.

The completed purchases are both funeral businesses – one in north-west London, the other in Lancashire.

The company also announced that it was raising some £2m via the placing of 2.99m new ordinary 10p shares at 67p each.

Harp sells Crown Brewery stake

Harp Lager, a subsidiary of Guinness, has reached agreement for a management buy-out of its 75 per cent equity investment in the South Wales brewer, Crown Brewery.

The MBO, led by Mr Michael Salter, Crown's present managing director, will acquire all Harp's ordinary shares in Crown. The sale consideration and value of the assets being disposed of are not material in the context of the net assets of Guinness.

Improved productivity from all divisions

Westland's rise to £13m better than expected

By David White, Defence Correspondent

WESTLAND Group, the helicopter manufacturer, produced higher-than-expected half-year profits of £12.8m even though it did not deliver a single new helicopter during the period.

The pre-tax figure for the six months to April 2 was 23 per cent up on the previous first half's £10.4m. "This was a bit better than our plans," Mr Alan Jones, chief executive, said.

Earnings per share were 5.7p (4.8p) but the interim dividend is unchanged at 1.25p. Its shares closed 14p up at 187p.

The profit increase came despite higher costs of £2.6m for restructuring businesses supplying the depressed civil aircraft market. That compared with exceptional charges of £900,000.

Mr Jones said the result reflected improved productivity across the whole group. Operating profits before restructuring costs were up in all divisions. This included the Normalair-Garrett equipment subsidiary, which Mr Jones said had "returned to normal margins".

Half-year sales increased from £198m to £220m, with the gap in helicopter production compensated by support and upgrade work.

Westland expects to supply about four Lynx helicopters to Portugal in the second half. But deliveries are not scheduled to pick up significantly until 1996-97 with the new EH101 naval and utility helicopter, a joint venture between Westland and Agusta of Italy.

Mr Jones was optimistic that Canada would stick by its plan to purchase the EH101 although the contract had been called into question by the country's Liberal opposition. Canada's order of 50 helicopters is the largest to have been placed, exceeding the 44 ordered for the Royal Navy. Italy has been negotiating a contract for 16 EH101s with options on eight more.

Westland still had "a good chance" of selling Sikorsky-licensed Black Hawk helicopters to Saudi Arabia, Mr Jones said. This might involve a direct contract with Westland rather than through British Aerospace, the lead company in the UK's Al Yamamah defence supply package for the Saudis.

● COMMENT

Westland is a lesson in patience. It would be hard to expect much more of the company, given the gap in helicopter orders and the downturn in civil aerospace. The lull is due to last another two years or so, during which it will have to concentrate on cutting costs further. Before then, GKN could sell the 21 per cent stake it bought in 1988, when it had ambitious plans for its defence interests. On the other hand, with a £1.91bn order backlog Westland promises subsequently to become a significant cash generator, irrespective of whether its long-awaited Saudi contract ever materialises. As in the past three years, the company is obviously reserving dividend growth for the final payment when it is expected to nudge the total up from last year's 4.25p. The City is expecting full year pre-tax profits of about £30m (£26.3m)for a p/e of 16 to 17.

Ashley Ashwood

Alan Jones: the result was a "bit better" than planned

Company pledged to pursue late payments

Shanks & McEwan to make £19.3m provision

By Richard Gourlay

SHANKS & McEwan, the waste disposal company, is to set up a £19.3m provision to cover a reorganisation of its construction division encompassing late payments and sums relating to variations in contracts that it is not certain it will collect.

The provisions will be taken in the year ended March 27 1993, results for which will be announced later this month.

Mr Roger Hewitt, chief executive, said Shanks's waste divisions traded "satisfactorily" during the year. Pre-tax profits would be no less than £29m before the provision announced yesterday.

The group intended to recommend a final dividend of 3.44p, unchanged from 1992.

After a sharp early fall, Shanks's share price settled down 7p at 162p.

Mr Hewitt said the group had traditionally been involved in long-term contracts, building roads, tunnels and bridges. Due to government pressure, payment on many of these contracts was often only being made after protracted negotiations with central government and local government clients.

It was no longer clear when payment would be recovered, or indeed how much would be received. The group would now be focusing on shorter-term, and therefore more tightly specified, contracts.

Mr Anthony Rush, former chief operating officer of Lilley, the failed construction and property company, is being brought in as managing director of Shanks & McEwan Contractors. Mr Rush, who was on Lilley's construction side, will replace Mr John Mackenzie, who has retired.

Mr Hewitt said the group would be vigorously pursuing payment. Should payments be received in future years they would appear above the line in future year's earnings.

The provision relates to about 10 main contracts, five of them large road construction deals.

See Lex

Faber Prest declines to £1.65m midway on reduced volumes

By Catherine Milton

FABER Prest, the industrial and distribution services company, reported half-year pretax profits down at £1.65m compared with £1.84m in the previous period.

The board declared an interim dividend up 16 per cent to 5p (4.3p) out of earnings per share down at 10.25p (11.69p). It said the company now had a sound base from which to take advantage of growth opportunities.

Turnover for the six months to end-March fell to £32.5m (£34.7m) with the company, which has adopted the FRS 3 accounting standard, citing reduced volumes and margin pressure across UK markets.

The directors stated that overseas activities, now some 10 per cent of total sales including contributions from associated companies, were performing "satisfactorily".

Operating profits, with the contribution of associated companies, amounted to £2.11m (£2.31m). There were net exceptional charges for the six months of £218,000 (£64,000 credits) relating to reorganisations and discontinued operations.

The directors said that net borrowings were "significantly lower" at £4m, attracting net interest of £237,000 (£530,000).

Field pays £6m for Boots' carton packaging activities

By Maggie Urry

FIELD GROUP, the packaging company, expected shortly to publish the pathfinder prospectus for its flotation, is paying about £6m for Boots' carton packaging activities, part of the Boots Print subsidiary.

Boots, the retail and pharmaceutical group, has contracted to buy the majority of its pharmaceutical and toiletries cartons from Field for 5 years. It had already used some outside suppliers.

The business Field is buying had sales of £10m in the year to March 31, of which 17 per cent is for third parties. Mr Keith Gilchrist, Field's chief executive, estimated its profits at £1m.

Field's flotation is expected to give the group a market capitalisation of about £150m. The consideration – of £4.9m for assets of £2.4m, plus stock expected to be £1m to £1.1m – will be payable on completion in July.

The business is similar to Field's Mareen subsidiary in Belgium, which is the leading carton producer for the pharmaceutical industry there.

Field will move the Boots operation to new premises over the next three years, although remaining in Nottingham. This could cost a further £3m to £4m. About 200 jobs will be transferred to Field. Mr David Thompson, Boots' finance director, said the business would "benefit from Field's expertise and market presence".

Boots is to merge the rest of its Boots Print business – promotional print, diaries and calendars – with the loss of about 100 jobs, although some employees will be redeployed in Boots.

Correction MMI

Shares in MMI, which sponsors and markets financial products, were suspended at 25p on May 28 and not Municipal and Mutual Insurance as was incorrectly stated.

Aluminium market down after US labour contracts agreed

By Kenneth Gooding, Mining Correspondent

A POTENTIALLY huge disruption to the aluminium market was removed yesterday when the Aluminium Company of America, the world's biggest producer, and Reynolds Metals, the third biggest, agreed new three-year contracts with unions at their US plants.

Between them Alcoa and Reynolds have the capacity to supply nearly 3m tonnes of primary aluminium, or 20 per cent of the western world's output. And so, even though agreement was widely anticipated, aluminium prices weakened after the announcement yesterday.

On the London Metal Exchange, aluminium for delivery in three months ended $6.50 a tonne down at $1,143.75.

Agreement was reached four hours after the previous 36-month contract, which was extended for a year, ran out at midnight on Monday.

Alcoa said the new contract included a 25-cent increase in basic hourly wage rates, at present ranging between $11.90 and $15.39, from June 7 and an additional 25 cents an hour in June 1995. For those on the lowest rate this amounts to a 4.2 per cent increase over the three years and for those on the highest rate one of 3.25 per cent.

Negotiations took place at a time when aluminium prices were near their lowest ever in real terms, forced down by a sharp increase in net imports from the former Soviet Union and the reluctance of western producers to make the production cuts necessary to reduce record stocks.

Decline in copper stocks forecast

By Kenneth Gooding

COPPER STOCKS on on the London and New York metal exchanges would start to fall in the second half of 1993, a drop caused by present strong demand in the US, Mr Richard Osborne, chairman of Asarco, one of the world's biggest integrated producers of non-ferrous metals, predicted yesterday.

Copper demand in the US at present was stronger than at any time since the last quarter of 1991, he said.

US official statistics tended to lag behind copper in giving an indication of the US's economic health and the reasons for the very sharp rise in US demand would not be clear for some time, according to Mr Osborne.

But the US recovery was more than making up for a 3 per cent drop in demand from Europe while Japan's move out of recession had already started.

Mr Osborne told the Association of Mining Analysts in London that Asarco expected net copper exports from the former communist countries to fall from about 310,000 short tons in 1992 to 285,000 tons this year. The drop would help the western world copper market move back towards balance – the supply surplus should shrink from 180,000 tons to about 54,000 tons.

Mr Osborne also predicted a "fairly sharp rise" in lead prices later this year as production cuts so far totalling 130,000 tons took effect. Asarco predicted an 85,000 tons deficit in the western world's refined lead market in 1993 in spite of net exports from the former communist countries rising from 91,000 last year to a forecast 101,000 tons.

He was more pessimistic about zinc. Mining cuts would eventually take their toll on high-cost smelter output but stocks were so high that it would take a long time them to fall to a level that would push up prices. Asarco forecast that the western world supply surplus would shrink from 259,000 to 48,000 tons.

● Planning permission has been given for a $65m lead-zinc mine at Galmoy in County Kilkenny, the largest base metal mine to be developed in Ireland for 20 years. Owned by Arcon International Resources, the mine is scheduled to produce 70,000 tonnes of low-cost zinc a year.

Peruvian mine sale attracts keen international interest

By Sally Bowen in Lima

JULY'S SALE of one of Peru's prime copper deposits, Cerro Verde, is attracting keen interest from a variety of international mining concerns. By late May seven US, Canadian and Japanese companies had already visited the mine and plants while a total of 14 had pre-qualified to bid.

Conditions for bidding should be published this week and the privatisation committee will announce a base price in late June. The slight delay has resulted from the need for a government decree assuming all $420m of the debts of Mineroperu – the state mining concern which owns Cerro Verde – prior to its sale.

Cerro Verde is the first, and perhaps the most attractive, of Mineroperu's four production units – and its only operational mine – scheduled for auction in coming months. Last December, Anglo American bought for $12m through its Chilean subsidiary Mantos Blancos the unexploited copper deposit of Quellaveco, one of a number of Mineroperu concessions that have been extensively explored but, for lack of financing, never developed.

Cerro Verde is a a different league, however. Constructed by Wright Engineers in association with British Smelter Construction, it was inaugurated in 1977. The mine's plant can – and did until 1984 – produce 33,000 tonnes of 99.97 per cent pure copper cathodes a year, treating oxide ores by pad leaching, solvent extraction and electrowinning.

Oxides were largely exhausted by 1985. A small pilot concentrator plant with capacity for 3,000 tonnes a day was built to treat secondary sulphide ores, but financing for expansion was never forthcoming. Output has gradually declined as leaching of sulphides is inefficient.

The deposit itself is perhaps one of the best documented in the world. On site, a huge warehouse holds 83,000 km of drill samples all boxed and labelled. "The geologists from abroad who've visited are amazed and delighted," says Mr Miguel Gomez, the mine's chief engineer. "It's a treasure-house of information for the whole site."

The Cerro Verde ore body is huge, five km by 1.5 km (three miles by nearly one mile), and eventually the opencast pit could be larger than Chile's Chuquicamata. Proven reserves total almost 800m tonnes at 0.68 per cent copper at a 0.45 per cent cut-off – almost 50 years of raw material for a 40,000-tonnes-a-day concentrator.

Mineroperu managers who, like Mr Mauro Serpa, have worked at Cerro Verde for 15 years or more welcome privatisation. Too often, expansion plans have been frustrated for lack of cash. Now, hopes for the projected $200m, concentrator plant hang on big names like Cyprus, Phelps Dodge, Mitsui or Marubeni, which have all made extended visits.

Cerro Verde is located just 30 km outside Arequipa, one of Peru's loveliest and most civilised cities, while port facilities are only 100 km away. The mine has no need for the camp and ancillary facilities essential in remote mining areas. And the ground is fully prepared – pits and plants have been maintained with obvious pride and professionalism.

Several hours away by road is another Mineroperu offer, the Ilo copper refinery. Built in 1975 by a Japanese consortium at a cost of $56m, the complex of anode, anodic sludge and electrolytic plants had design capacity to produce 150,000 tonnes a year of cathode copper. Ingenious shoestring modifications have pushed output up by about 20 per cent. In addition, useful quantities of gold, silver, selenium and nickel sulphate are recovered.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,590-1,640 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.25-2.45 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.38-0.48 (0.35-0.45).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 14.35-14.90 (same).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 115-140 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.20-2.25 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.70-5.40.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 27-39 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 1.30-1.40 (same).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 7.10 (same).

Rubber pact granted stay of execution

By Kieran Cooke in Kuala Lumpur

ONCE AGAIN the world's natural rubber producers and consumers have pulled back from the brink.

After a five-day meeting here, both sides failed to find any common ground on key issues dividing them. But they did not, as widely expected, make moves to abandon the International Natural Rubber Agreement.

"We agreed to defer the decision to allow delegates to consult among themselves and with their respective capitals," said a Malaysian delegate to the talks. "Hopefully, things will get more definite."

The meeting, held under the auspices of the International Natural Rubber Organisation, discussed two main issues. The main producer countries – Thailand, Indonesia, Malaysia, Sri Lanka, Nigeria and the Ivory Coast – say the present agreement failed to guarantee adequate prices.

Rubber prices have slumped to their lowest level in real terms in more than 30 years. Many thousands of rubber farmers are being forced out of production.

The producers want a renegotiation of the pact, which lapses at the end of this year. Further, the producers have warned the consumers, mostly the big tyre companies, that if they fail to renegotiate Inra then producer countries will bring in their own pricing mechanisms.

The consumers recognise some of the difficulties the producers face. But they say that before they can begin to discuss a renegotiation of Inra, producers must accept that they breached the terms of the present agreement by failing to agree on a downward revision of the price support band earlier this year.

Consumers say that according to various technical terms of the pact there should have been a 5 per cent cut in price. The European Community has been particularly insistent that the price revision question be resolved.

The meeting seemingly made no headway on either of these issues. The consumers and producers now return to discuss ways out of the present impasse with their various governments. Time is not on their side.

The next Inro council meeting is in November. Before then each side has to investigate if there is any room for compromise: the EC, for instance, will have to enter into discussions with each member government and then consult with other consumer countries.

While both sides left here relieved that Inra had been granted a stay of execution, there is little optimism that the two sides have either the time or inclination to find solutions to their present problems.

"At this stage it really looks as though both sides are merely postponing the inevitable," said one consumer country delegate. "It still seems unlikely that Inra will survive beyond the end of the year."

● World rubber stocks have built up again after a drawdown in recent years, Inro says, reports Reuter from Kuala Lumpur.

In its annual report it estimates world stocks at the end of 1992, including its own buffer stock, at 1.66m tonnes, up from 1.45m tonnes at the end of 1990 and overtaking the end-1987 peak of 1.65m tonnes.

"The trend towards lower stockholding and to just-in-time purchasing by manufacturers, and the lower demand particularly during the last two years, resulted in the gradual building-up of natural rubber stocks," the report explains.

Treuhand's kiss of life for potash

Judy Dempsey on resuscitation of an ailing east German industry

WHEN THE Treuhand, the agency charged with privatising eastern German industry, started tackling the region's potash sector, it was horrified at what it discovered.

Before 1989, eastern Germany's potash mines were producing more than 3m tonnes a year with a workforce of over 33,000. In contrast, western Germany was producing 2.4m tonnes with less than 11,000 employees.

Furthermore, the region's agriculture was using in excess of 20 per cent of potash. "The land didn't need fertilisers for at least three years at the rate the potash was being applied," said Mr Helmut Ballon, the Treuhand's director of mining and non-metallic minerals.

Compounding the problem for the Treuhand in its efforts to restructure this industry is world over-capacity in potash production. Last year, 35m tonnes were produced worldwide, but less than 25m tonnes were sold. Against this background of inefficiency, on the one hand and over-capacity, on the other, the Treuhand had to think long and hard about how to restructure eastern Germany's potash mines.

After 1990, when the Treuhand was set up, it set about drawing up a plan for the industry. Its task was influenced by the collapse of the Soviet and eastern European markets that bought east German potash, largely through a barter system. But once monetary union was introduced in Germany this market virtually collapsed overnight, because these countries did not have the available hard currency to buy east German potash.

Russia, a large producer of potash, got around this problem by selling its product at any price, which means that German potash cannot compete with practices which amount to dumping. Moreover, most European countries tend to import potash from Canada, because of its better quality – it has a higher potash content in its basic salt – and because production costs in Canada are lower than Germany's.

With these unfavourable circumstances in mind, the Treuhand moved quickly to close down eastern Germany's most inefficient and loss-making potash mines. Only four of the original 10 are now operating, and only 7,000 of the original 33,000 workforce are employed in the industry. These two developments led to a sharp reduction in the sector's output. Last year, eastern Germany produced 500,000 tonnes, but it still managed to sell only 100,000 tonnes.

With these very high job losses, mostly in the southern Länder of Thuringia, the Treuhand was reluctant to close down the remaining mines, even though it was still saddled with the problem of overcapacity throughout Germany and on the world market. It asked Goldman Sachs, the investment bankers, to seek out a foreign buyer.

"We asked 48 foreign companies if they were interested," explained Mr Paul Achleitner, an executive director at the Goldman Sachs investment banking division. "But there were no takers. Some only wanted the cherries."

Without a foreign taker, the Treuhand had few alternatives. "What could we do?" asked Mr Ballon. "Close the rest of the potash mines down in eastern Germany, which would lead to more job losses? We couldn't do that. Yet any responsible producer of potash has to think about reducing capacity, and not acquiring additional capacity. So, we decided on a radical, new approach, which will not only save jobs, but perhaps give a new lease of life to Germany's potash industry."

The plan, the first of its kind embarked on by the Treuhand, involves merging Mitteldeutsche Kali, the eastern German potash mines, with Kali + Salz AG, a subsidiary of BASF, Germany's large chemicals group. Kali + Salz had a loss of more than DM10.8m in 1991 on a DM1.4bn turnover, while last year's loss for Mitteldeutsche Kali is estimated at DM100m on a turnover of about DM1bn.

Under the terms of the fusion plan, both sides, merged into a new company, will reduce capacity and employment. This will bring annual production in Germany down to 3.1m tonnes and the combined labour force to fewer than 7,500. But (and this is the novel element of the package) the Treuhand itself will take a 49 per cent share in the new company, worth DM1bn (£400m). It will retain the right to sell its share within five years, but in the meantime the Treuhand believes it might be able to turn the new company around and find markets for Germany's potash.

More than DM700m of the Treuhand's stake, will be earmarked for investments. "We will introduce new product lines, particularly in eastern Germany, and completely restructure the eastern side of the company," explained Mr Ballon. "Essentially, what we are doing is bringing in our assets. In order to make the two sides equal, we have to inject fresh money, anchored on a business plan spread over five years. Both sides will eventually have the same productivity levels." The remaining DM300m will be used to pick up old debts and service losses which will accumulate for some time yet.

This unprecedented deal, underpinned by political and social considerations, particularly since unemployment in eastern Germany is about 30 per cent of the 9m labour force (taking into account short-term employment and job creation schemes) has to be approved by the finance ministry. The decision has been postponed for a short time because a west German has belatedly expressed interest in buying one of the potash mines in eastern Germany. But whatever the outcome, the Treuhand will be able to demonstrate to some east Germans that privatisation means more than closing a mine and locking the gates.

WORLD COMMODITIES PRICES

MARKET REPORT

TIN prices fell to the lowest levels since the early 1970s at the London Metal Exchange as flat demand and fears of increased producer selling weighed down sentiment. The three months price dipped to $5,150 at one stage but rallied slightly to end at $5,170 a tonne. **COPPER** was also under pressure in the morning but an afternoon recovery took the three months position, which had bottomed at $1,785 a tonne, to $1,800 a tonne at the close. Traders said there did not appear to be any fresh news in copper but a firmer New York market market prompted short-covering. Another metal to recoup some early losses was **ZINC**. The three months price ended at $942.50 a tonne after touching a six-year low of $937, but it was still $25.50 down on the day. News that German statistician F.O. Licht had increased its 1992-93 world deficit estimate from 2.05m tonnes to 3.17m tonnes did little for the **SUGAR** market as it reflected last week's announcement of a lower-than-expected Cuban crop. In late New York trading the July futures price was quoted at 10.7 cents a lb, down 0.06 from the pre-holiday level.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Jul)		+ or -
Dubai	$16.23-6.30z	+.035
Brent Blend (dated)	$16.50-6.57	+0.10
Brent Blend (Jul)	$16.68-6.75	+0.03
W.T.I (1 pm est)	$20.16-0.20z	+0.06
Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$207-210	-1
Gas Oil	$172-173	-1
Heavy Fuel Oil	$66-67	
Naphtha	$163-165	-0.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$373.25	-4.5
Silver (per troy oz)♣	460c	-6
Platinum (per troy oz)	$396.00	-0.75
Palladium (per troy oz)	$123.25	+0.75
Copper (US Producer)	87.0c	
Lead (US Producer)	34.63c	
Tin (Kuala Lumpur market)	13.70r	
Tin (New York)	237c	-11
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	142.74p	+0.59*
Sheep (live weight)†♠	126.98p	-8.38*
Pigs (live weight)†	91.03p	+1.83*
London daily sugar (raw)	$273.7	+4.2
London daily sugar (white)	$278.5	+6
Tate and Lyle export price	£288.0	+2.5
Barley (English feed)	£110.5	
Maize (US No. 3 yellow)	£166.5	
Wheat (US Dark Northern)	Unq	
Rubber (Jun)♥	58.00p	-0.25
Rubber (Jul)♥	59.25p	-0.25
Rubber (KL RSS No 1 May)	209.5m	
Coconut oil (Philippines)§	$440.0y	-2.5
Palm Oil (Malaysian)§	$372.5u	-2.5
Copra (Philippines)§	$276u	
Soyabeans (US)	£176.5z	
Cotton "A" index	59.70c	+0.2
Wooltops (64s Super)	375p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Aug/Sep u-Jun.z-July.. v-Oct ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♠Sheep prices are now live weight prices * change from a week ago. provisional prices.

SUGAR – London FOX			($ per tonne)	
White	Close	Previous	High/Low	
Aug	279.90	283.80	284.00	278.00
Oct	277.90	282.00	284.00	278.00
Mar	282.80	286.30	289.00	284.60
May	286.50	290.00	293.00	287.50
Aug	293.00	298.00	300.00	294.50

White 1017 (1753) Paris- White (FFr per tonne): Aug 1504.23 Oct 1505.26

CRUDE OIL – IPE			$/barrel	
	Close	Previous	High/Low	
Jul	18.76	18.60	18.77	18.53
Aug	18.85	18.68	18.86	18.64
Sep	18.95	18.80	18.95	18.74
Oct	19.00	18.89	19.00	18.79
Nov	19.00	18.98	19.00	18.88
Dec	19.08	19.03	19.08	18.92
Jan	18.95		18.96	18.94
IPE Index	18.64	18.56		

Turnover 11000 (31453)

GAS OIL – IPE			$/tonne	
	Close	Previous	High/Low	
Jun	171.25	171.50	171.50	169.75
Jul	172.25	173.00	172.50	170.75
Aug	174.25	175.00	174.00	172.50
Sep	176.00	176.75	176.25	175.00
Oct	179.00	179.50	178.75	177.75
Nov	180.75	182.00	180.75	179.75
Dec	182.75	184.25	182.75	182.00

Turnover 10507 (10158) lots of 100 tonnes

COTTON
No spot or shipment sales were recorded in Liverpool during the week ended 28 May, against 196 tonnes in the previous week. Activity was severely restrained and business was on narrow lines. High cost of raw cotton deterred users from increasing their purchases.

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
Jul	665	663	666	659
Sep	682	679	684	677
Dec	702	701	703	698
Mar	723	721	723	721
May	736	734	738	735
Jul	750	748	752	750

Turnover: 2221 (2624) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for May 31 692.43 (692.55) 10 day average for Jun 1 696.06 (697.33)

COFFEE – London FOX			$/tonne	
	Close	Previous	High/Low	
Jul	921	920	929	914
Sep	928	929	935	922
Nov	938	933	943	929
Jan	940	938	946	933
Mar	943	946	953	

Turnover: 1981 (1479) lots of 5 tonnes
ICO indicator prices (US cents per pound) for May 28 Comp. daily 55.70 (55.61) 15 day average 54.59 (54.39)

POTATOES – London FOX			£/tonne	
	Close	Previous	High/Low	
Apr	97.8	99.2	98.0	97.0
May	105.0	106.6	107.0	

Turnover 38 (19) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Aug	142.00	141.80	

Turnover 0 (20) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point	
	Close	Previous	High/Low	
Jun	1482	1455	1485	1470
Jul	1356	1340	1360	1341
Oct	1426	1406	1440	1420
Jan	1450	1438	1460	1445
BFI	1623	1623		

Turnover 127 (137)

GRAINS – London FOX			£/tonne	
Wheat	Close	Previous	High/Low	
Jun	139.50	140.10	140.10	139.75
Nov	109.00	109.05	109.05	
Barley	Close	Previous	High/Low	
Nov	108.40	-	108.35	
Jan	110.75	-	110.50	
Mar	112.50	-	112.55	

Turnover: Wheat 66 (159), Barley 4 (5).
Turnover lots of 100 Tonnes.

PIGS – London FOX			(Cash Settlement) p/kg	
	Close	Previous	High/Low	
Jun	112.8	112.8	112.8	112.7

Turnover:10 (21) lots of 3,250 kg

LONDON METAL EXCHANGE				(Prices supplied by Amalgamated Metal Trading)		
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 36,534 lots
Cash	1120-0.5	1127.5-8.5	1121/1120.5	1121-1.5		
3 months	1143.5-4.0	1150-0.5	1150.5/1141.5	1144.5-5.0	1145.5-6	186,084 lots
Copper, Grade A (£ per tonne)						Total daily turnover 61,745 lots
Cash	1147-8	1146-7	1134/1133.5	1133-3.5		
3 months	1163-4	1160-1	1171/1149	1149.5-50	1170-1	211,883 lots
Lead (£ per tonne)						Total daily turnover 3,437 lots
Cash	256-6.5	258-9	255.5/255.5	255-5.25		
3 months	265.5-6.0	267.5-8.0	267/265.5	265-5.5	265.5-6.0	20,726 lots
Nickel ($ per tonne)						Total daily turnover 5,245 lots
Cash	5615-20	5645-55		5615-20		
3 months	5680-5	5715-20	5710/5665	5685-7	5670-5	48,488 lots
Tin ($ per tonne)						Total daily turnover 3,747 lots
Cash	5095-100	5302-5	5150/5150	5140-5		
3 months	5155-60	5360-5	5310/5150	5205-10	5160-70	9,642 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 18,008 lots
Cash	920.5-1.5	947-8	928/928	926-7		
3 months	940-1	966-7	968/937	946-7	942-3	66,939 lots

LME Closing £/$ rate:
SPOT: 1.5507   3 months: 1.5410   6 months: 1.5316   9 months: 1.5247

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	375.00-375.50	
Opening	379.00-379.50	
Morning fix	378.25	242.189
Afternoon fix	377.35	241.969
Day's high	378.00-378.50	
Day's low	374.75-375.25	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.44	6 months	2.45
2 months	2.45	12 months	2.46
3 months	2.45		

Silver fix	p/troy oz	US cts equiv
Spot	295.25	461.50
3 months	299.20	464.75
6 months	303.30	468.55
12 months	312.20	477.90

GOLD COINS	$ price	£ equivalent
Krugerrand	378.00-381.00	242.00-244.00
Maple leaf	386.30-388.75	-
New Sovereign	89.5-92.50	57-65

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jul	Sep	Jul	Sep
1125	35	58	19	27
1150	23	44	32	37
1175	14	33	47	51
Copper (Grade A)	Calls		Puts	
1800	69	98	61	79
1850	47	75	86	105
1900	31	58	122	136
Coffee	Jul	Sep	Jul	Sep
900	35	65	14	37
950	12	41	41	63
1000	3	26	82	98
Cocoa	Jul	Sep	Jul	Sep
700	3	23	38	41
725	1	15	61	58
750		10	86	78
Brent Crude	Jul	Aug	Jul	Aug
1800	71	-	6	20
1850	27	53	13	37
1900	9	32	51	-

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Jun	369.5	378.3	378.2	366.5
Jul	370.5	379.3	0	0
Aug	371.3	380.3	380.1	367.5
Oct	373.0	382.1	381.8	370.0
Dec	374.7	383.8	383.7	371.0
Feb	376.2	385.4	383.3	372.5
Apr	377.8	387.0	384.0	376.5
Jun	379.5	388.7	385.4	379.0
Aug	381.3	390.5	387.2	385.5

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Jul	392.1	399.8	400.0	388.0
Oct	390.6	398.2	398.5	396.0
Jan	389.7	397.4	397.0	389.0
Apr	389.5	397.2	397.0	397.0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Jun	439.4	461.1	0	0
Jul	440.5	462.2	465.5	431.0
Aug	442.1	463.8	0	0
Sep	443.5	465.4	468.0	435.5
Dec	446.2	470.2	473.0	439.0
Jan	446.8	470.8	443.0	443.0
Mar	453.0	475.1	475.0	445.0
May	456.6	478.8	470.0	456.0
Jul	459.7	482.0	485.0	482.0
Sep	463.5	485.9	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jun	80.00	79.55	80.00	80.00
Jul	80.40	79.85	81.10	79.70
Aug	80.65	80.10	0	0
Sep	80.90	80.35	81.50	80.10
Oct	81.10	80.55	80.60	80.60
Nov	81.35	80.80	0	0
Dec	81.65	81.05	82.20	80.80
Jan	81.80	81.20	81.75	81.75
Feb	82.05	81.40	0	0
Mar	82.35	81.65	82.80	82.20

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Jul	20.29	20.02	20.27	19.95
Aug	20.41	20.21	20.42	20.13
Sep	20.50	20.31	20.51	20.26
Oct	20.54	20.36	20.54	20.32
Nov	20.55	20.38	20.55	20.35
Dec	20.57	20.40	20.57	20.38
Jan	20.55	20.39	20.55	20.38
Feb	20.48	20.38	20.48	20.38
Mar	20.40	20.37	20.40	20.40
Apr	20.46	20.36	20.46	20.36

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Jul	55.30	54.49	56.35	54.60
Aug	55.95	55.27	56.00	55.30
Sep	56.95	56.32	56.95	56.30
Oct	57.85	57.29	57.60	57.35
Nov	58.85	58.24	58.50	58.40
Dec	59.60	59.14	59.80	59.25
Jan	60.35	59.82	60.35	60.35
Feb	59.35	59.36	0	0
Mar	58.15	57.97	0	0
Apr	56.57	56.57	0	0

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Jul	878	894	902	876
Sep	911	928	934	910
Dec	950	970	975	950
Mar	986	1004	1007	986
May	1010	1028	0	0
Jul	1030	1048	0	0
Sep	1053	1071	0	0
Dec	1085	1103	0	0
Mar	1119	1137	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	61.25	63.55	63.10	61.00
Sep	63.10	65.35	64.80	62.90
Dec	65.70	68.00	67.30	65.60
Mar	68.05	70.20	69.60	68.00
May	69.65	71.75	71.00	71.00
Jul	70.95	72.95	72.60	72.60
Sep	73.15	74.45	74.40	74.40

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	10.75	10.78	11.02	10.66
Oct	11.03	11.02	11.27	10.95
Mar	10.84	10.79	10.97	10.74
May	10.70	10.69	10.85	10.66
Jul	10.63	10.63	10.77	10.63
Oct	10.57	10.57	0	0

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Jul	60.25	60.36	60.60	60.06
Oct	59.22	59.00	59.30	58.90
Dec	58.48	58.34	58.65	58.25
Mar	59.47	59.37	59.55	59.35
May	60.10	60.02	60.10	59.98
Jul	60.55	60.55	60.65	60.55
Oct	60.30	60.13	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	110.60	115.60	116.65	109.55
Sep	113.70	118.70	119.90	113.70
Nov	116.00	120.75	121.70	116.75
Jan	117.75	122.50	124.00	117.50
Mar	119.25	123.50	123.50	118.50
May	119.25	123.50	118.50	118.50
Jul	119.25	123.50	118.50	118.50
Sep	119.25	123.50	119.00	119.00

INDICES

REUTERS (Base:September 18 1931 = 100)			
Jun 1	May 28	mnth ago	yr ago
1660.3	1657.1	-	1599.1

DOW JONES (Base: Dec. 31 1974 = 100)				
	May 28	May 27	mnth ago	yr ago
Spot	121.74	121.04	119.83	117.31
Futures	121.22	121.56	122.84	117.77

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Jul	589/0	608/4	607/0	588/4
Aug	587/6	607/2	606/0	587/4
Sep	586/2	604/6	603/0	585/0
Nov	586/2	606/4	605/0	585/4
Jan	592/6	612/0	610/0	592/4
Mar	599/6	617/4	615/0	589/4
May	602/4	620/0	617/0	601/4

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jul	21.02	21.39	21.41	21.00
Aug	21.13	21.52	21.54	21.12
Sep	21.26	21.66	21.66	21.26
Oct	21.39	21.78	21.78	21.39
Dec	21.62	21.98	22.00	21.61
Jan	21.73	22.08	22.06	21.73
Mar	21.95	22.30	22.20	21.95
May	22.14	22.50	22.30	22.10

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Jul	186.6	191.8	191.7	186.5
Aug	185.9	191.1	190.6	185.8
Sep	185.7	191.0	190.0	185.6
Oct	185.4	190.7	189.7	185.2
Dec	185.9	191.2	190.7	185.8
Jan	186.2	191.7	189.8	186.0
Mar	186.4	191.9	190.0	186.2
May	187.6	192.7	187.5	187.5

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Jul	219/4	224/4	223/6	218/6
Sep	224/2	229/2	228/6	223/4
Dec	230/4	236/0	235/2	230/0
Mar	238/0	243/2	242/2	237/2
May	243/2	248/2	247/0	242/4

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Jul	282/6	289/2	287/6	282/0
Sep	286/0	291/2	290/0	285/4
Dec	297/4	302/4	301/2	296/4
Mar	304/6	309/0	309/0	304/0
May	305/6	308/4	307/4	305/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jun	75.375	75.325	75.675	75.250
Aug	73.550	73.375	73.900	73.300
Oct	74.275	74.025	74.600	73.900
Dec	74.425	74.075	74.875	74.025
Feb	73.925	73.650	74.150	73.900
Apr	75.075	74.850	75.200	74.900

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Jun	51.200	51.375	51.650	51.125
Jul	49.275	49.650	49.850	49.100
Aug	47.025	47.475	47.850	46.500
Oct	42.200	42.650	42.900	42.100
Dec	43.275	43.675	44.000	43.200
Feb	43.650	43.975	44.200	43.650
Apr	42.600	43.009	43.150	42.600

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jul	38.800	39.400	39.875	38.600
Aug	37.850	38.150	38.800	37.500
Feb	40.900	41.025	41.250	40.775
Mar	40.125	40.025	40.450	40.125
May	41.000	41.000	0	0

LONDON STOCK EXCHANGE

Equities firmer on base rate hopes

By Terry Byland,
UK Stock Market Editor

A SUDDEN advance in the short sterling contract revived speculation in the UK stock market late yesterday that Mr Kenneth Clarke, the new chancellor of the exchequer, may yet prove accommodating to calls for a further reduction in domestic base rates. Helped also by a firm opening on Wall Street, the FT-SE 100 Index gained ground late in the day to finish 8.5 ahead at 2,849.2.

However, trading volume left much to be desired as the market returned sluggishly from the three-day weekend break in London, New York and on most European bourses. With Wall Street down on Friday, international stocks opened lower in London, leaving the field to the first dealings in the newly demerged ICI and Zeneca.

The market was 7 Footsie points off at midsession, rallying rapidly as interest rate hopes grew and as Wall Street opened with a 14-point gain on the Dow following a favourable performance by the US Purchasing Managers Index in May.

Hopes for a base rate cut were not taken too seriously in a stock market featured by one of the lowest daily trading volumes this year. At 401.9m shares, Seaq turnover compared with 577.3m shares on Friday, when retail, or customer, business slipped to a value of only £1.1bn.

Trading in non-Footsie shares made up only 57 per cent of yesterday's Seaq total, while Zeneca shares alone represented nearly 6 per cent of turnover in Footsie-listed stocks. In general, traders referred to "an uninspiring session".

Yesterday's rate cut hints were at odds with opinions expressed by many market strategists. NatWest Capital Markets commented that Mr Clarke will find it "easier to resist" pressure to reduce rates. Kleinwort Benson Securities, noting that Mr Clarke's arrival may improve presentation but is unlikely to change Treasury policies, stressed that the objective remains to put together a package of spending cuts and tax increases to bring the Public Sector Borrowing Requirement under control.

The opening of trading in the new ICI and Zeneca issues was regarded as satisfactory but not excitingly so. A sharp rise in the ICI share price, against a modest dip in Zeneca, bore out the market's view that investors, particularly from the US, appear unhappy with the pharmaceuticals outlook, and prefer to buy ICI shares. Investors are nervous over possible developments in the healthcare policies of President Clinton's administration.

The late upturn in the Footsie was also buttressed by a sharp rally in stock index futures. The big securities houses have already begun to close trading books on the extended three-week equity trading account, which closes on Friday.

Several stocks moved sharply yesterday on relatively modest turnover, reflecting changes in stance by City analysts. But overall, the market remains in the middle of its identified trading range, with confidence in the economic recovery in the UK still uncertain in spite of the disclosure yesterday of a favourable monthly report on UK manufacturing activity from UK purchasing managers.

The purchasing managers index gained ground in May, for the fourth successive month, indicating continued economic expansion.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ASDA Group†	4,800	70½	+½
Abbey National†	1,700	412	+2
Albert Fisher	183	61	-1
Allied-Lyons†	1,100	624	+4
Anglian Water†	546	483	
Argos	108	307	+1
Argyll Group†	3,900	348	+4½
Arjo Wiggins†	1,700	177	-1
Ass. Brit. Foods†	871	469	
Ass. Brit. Ports	244	422	+1
BAA†	559	782	+1
BAT Inds.†	2,800	428½	-1½
BET	253	109	-½
BICC	1,700	374	-8
BOC†	302	655	-5
BP†	6,700	304¼	-3
BPB Inds.	449	228	
BT†	7,400	426½	+4½
BTR†	4,200	605	+4
Bank of Scotland†	1,000	138	
Barclays†	4,100	458	-2
Bass†	2,000	493	-4
Blue Circle†	674	240	-2
Booker	48	373	+2
Boots†	3,900	445	+7
Bowater†	591	484	+1
Brit. Aerospace	3,000	355	+16
British Airways†	1,000	305½	-4½
British Gas†	6,800	288	-1½
British Land	111	298	-2
British Steel†	1,700	85¾	-1
Bunzl	338	128	
Burmah Castrol†	14	708	+4
Burton	4,700	84½	+1½
Cable & Wire.†	1,200	730	-8
Cadbury Schweppes†	1,000	442	+1
Calor Group	14	237	
Carlton Comms.†	483	760	-7
Coats Viyella†	780	232	+1
Comm. Union†	418	586	-8
Cookson	552	202	+1
Courtaulds†	1,000	531	-6
Dalgety	120	428	-1
De La Rue†	818	668	+3
Dixons	345	217	+8
Eastern Elect.	664	467	-1
East Midland Elect.	201	454	-1
Eng China Clays	2,100	418	-1
Enterprise Oil†	154	464	-2
Eurotunnel Units	82	416	+7
FKI	380	132	-1
Fisons†	2,800	162	-1
Foreign & Col. I.T.	1,300	225½	-½
Forte†	1,900	193	-1
Gen. Accident†	401	560	+3
General Elect.†	7,000	317½	
Glaxo†	1,200	618	+9
Glynwed Int.	183	301	
Granada†	867	388	-1
Grand Met.†	3,600	405	+13
GUS A†	328	1648	+5
GRE†	841	172	
GKN	605	464	+7
Guinness†	1,000	470	+4
HSBC (75p shs)†	1,600	691	+1
Hammerson 'A'	289	338	-3
Hanson†	4,500	229½	+1
Hanson Warrants	253	23¼	+¼
Harrisons Crosfield	383	180	-2
Hillsdown	2,000	150	+1
IMI	498	270	
ICI†	8,000	636	
Inchcape†	882	587	-2
Johnson Matthey	14	450	
Kingfisher†	409	577	
Kwik Save†	40	769	-4
Ladbroke†	670	179	+1
Land Securities†	451	553	+1
Laporte	121	617	
Legal & General†	481	467	-5
Lloyds Abbey	738	413	-4
Lloyds Bank†	1,200	540	+5
LASMO†	1,700	155	+2
London Elect.	102	463	-1
Lonrho	753	115	-2
Lucas	261	131	-1
MB Caradon†	380	301	+2
MEPC	486	422	-4
MFI	273	128	-1
Manweb	13	618	-1
Marks & Spencer†	3,800	333	+½
Midlands Elect.	181	484	-1
Morrison (Wm.)	150	153	-1
NFC†	197	256	-2
NatWest Bank†	2,700	482	-2
National Power†	3,000	356	+3
Next	15	165	
[illegible]			
[illegible]	686	706	
[illegible]	254	576	+3
[illegible]	362	461	-4
[illegible]	1,200	644	+1
[illegible]	401	161	-2
[illegible]	83	1359	+11
Rolls Royce	957	144	-1
Rothmans†	368	614	-5
Ryl Bk. Scotland†	2,300	285	-1
Royal Insurance†	1,300	361	-2
Saatchi	131	189	-1
Sainsbury†	589	489	+5
Scottish & New.†	335	449	+2
Scot. Hydro-Elect.†	782	342	+2
Scottish Power†	819	323	+2
Sears†	783	100	+1
Sedgwick	1,100	165	+1
Seeboard	514	502	+2
Severn Trent Water†	600	491	+2
Shell Transport†	2,700	605	+1
Siebe†	810	460	-5
Slough Ests	902	200	-2
Smith (W.H.) A	234	427	-1
Smith & Nephew†	2,200	141	-½
SmKl Beecham†	825	483	+3
SmKl Beecham Uts.†	168	430	+8
Smiths Inds.	66	337	+1
Southern Elect.†	752	465	-2
South Wales Elect.	562	539	+4
South West Water	833	505	-1
South West. Elect.	40	494	
[illegible]			
Thorn EMI†	592	878	+4
Tomkins†	2,100	229	+1
Trafalgar House	1,300	106	+1
Unigate	694	325	-2
Unilever†	644	1018	
United Biscuits†	1,300	389	-10
Utd. Newspapers	25	597	+1
Vodafone†	2,100	427	-2
Warburg (SG)	448	733	-1
Wellcome†	1,100	776	+5
Welsh Water	163	564	+7
Wessex Water	87	583	+2
Whitbread 'A'†	1,400	485	+8
Williams Hldgs.†	840	310	+1
Willis Corroon	214	196	
Wimpey	186	172	+3
Wolseley	57	630	-4
Yorkshire Elect.	45	514	+8
Yorkshire Water	139	528	+1
Zeneca†	10,000	630	

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

*First Dealings:		
May 24	Jun 7	Jun 21
Option Declarations:		
Jun 3	Jun 17	Jul 1
Last Dealings:		
Jun 4	Jun 18	Jul 2
Account Day:		
Jun 14	Jun 28	Jul 12

*New time dealings may take place from 8.30am two business days earlier.

Cautious debut for Zeneca

THE FIRST day of official trading in the newly demerged ICI and Zeneca shares proved mildly disappointing, according to dealers, in terms both of actual volume of business and performances of the shares. But traders also pointed out that activity in Zeneca, newly introduced to the FT-SE 100, accounted for 5.8 per cent of turnover in the Footsie stocks and 2.5 per cent of the market's volume yesterday.

US investors were aggressive supporters of both stocks post the demerger and helped drive ICI shares up from an opening of around 608p to 636p, compared with 608p for the "old" shares last week. "ICI is seen as a prime recovery stock," said one specialist.

Turnover in ICI totalled 5.4m shares, with much of the activity in the stock generated very late in the session when the big US funds were said to have moved in as strong buyers.

The two classes of Zeneca stock were also boosted by late buying from the US.

The "old" settled at 630p ex-rights, compared with last Friday's "grey market" closing level of 632p, while the "new" ended at 334p, compared with Friday's "grey market" level of 37p. Turnover in Zeneca "old" reached 10m shares and the nil-paid saw volume of 2.6m.

GrandMet advances

The change in sentiment around Grand Metropolitan gathered pace, with the shares advancing a further 13 to 405p in good volume of 3.6m. UBS became the latest broker to turn more positive on the stock, which also received attention from US buyers who, said dealers, were rekindling their interest in the UK drinks and foods group.

Ironically, drinks specialists said that it was the recovery in the US economy which was one of the reasons underpinning the shares' recent strength.

There was also a general feeling that the bad news on the stock – fears over the threat to its brands, poor sentiment in the domestic brewing market, and the threat of a drinks tax in the US, among others – was out and that the consequent underperformance had led to the stock looking cheap.

Mr Kevin Feeny at Henderson Crosthwaite, who yesterday reiterated his positive stance, said that GrandMet was still around 10 per cent too cheap relative to other drinks stocks. "With its geographical business spread, GrandMet is well placed for the US recovery, while currency benefits will also come through strongly this year," he said.

BAe lifted

Confirmation that British Aerospace was to sell its corporate jets business to Raytheon, of the US, for £250m sent the shares 16 ahead to 355p, a high for this year.

Analysts were particularly cheered by the higher than anticipated price received for the business, particularly after a similar deal collapsed last September. One researcher said: "They have sold it for more than we expected. It strengthens the balance sheet and improves shareholders funds."

The shares are now in a new trading range having broken through the 340p barrier for the first time in nearly a year. Volume was 2.8m by the close.

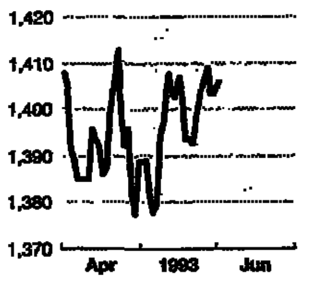
Whispers of a rate cut added support to some consumer stocks, among them Whitbread, the shares gaining 8 to 485p, albeit in poor volume. Scottish and Newcastle rose 2 to 449p.

Luxury hotel group Savoy crept forward as weekend press speculation over the intentions of Forte gained momentum. The latter, which owns 42 per cent of Savoy's voting shares, has not confirmed reports that it is to appoint a former Savoy executive to its management team. The speculation was given extra spice by suggestions that Forte could legally break out of its agreement not to bid for Savoy before 1994. Savoy shares climbed 10 to 785p. Forte was a penny down at 193p.

British Telecom rose 4½ to 426½p in the wake of a number of bullish broker recommendations ahead of BT III, notably from SG Warburg, BZW and Daiwa Securities.

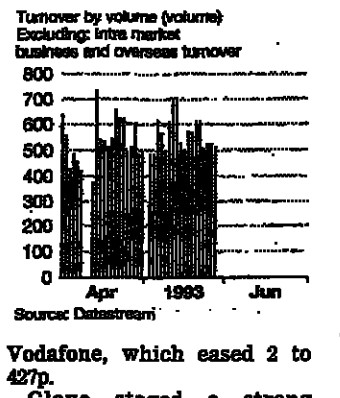
New subscriber numbers for last month failed to produce any substantial movement in Vodafone, which eased 2 to 427p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (volume)
Excluding: intra market business and overseas turnover



Source: Datastream

Glaxo staged a strong advance, the shares moving up 9 to 618p on turnover of 1.2m with Lehman Brothers, the US stockbroker, said to have been keen supporters of the shares.

Wellcome, badly mauled last week by worries about US policy towards drug manufacturers, were a much steadier market and rallied 5 to 776p on 1.1m.

Talk of a broker's recommendation lifted Reckitt & Colman 5 to 580p. News of the £19.3m provision against its construction business shocked dealers in Shanks & McEwen who marked Shanks' shares down to 153p before a late rally left the stock a net 7 off at 162p.

The market's two newcomers put on diverging debut performances. OGC International, the oil services group, proved a disappointment, opening at a 5p premium to the placing price but subsequently sliding back to close at 127p after hefty trading of 5.3m shares.

On the other hand, the day's other newcomer, Phonelink, the computer software company whose shares were placed at 155p, attracted a flurry of strong support, closing at 218p.

Other software companies that have come to the market in recent months, namely Tadpole and Quality Software, have delivered exceptionally strong performances in the after market.

Lasmo, which until last week had languished at the bottom of the FT-SE 100 list until ECC came under pressure and ultimately dropped out of the premier index to make way for Zeneca, attracted renewed support.

The shares edged up 2 to 155p on relatively high turnvoer of 1.7m shares, amid hints that the group could be about to announce more asset sales, hard on the heels of last week's US bond issue.

BP dipped 3 to 304¼ on 6.7m traded, in the wake of news that the company is seriously considering the flotation on Wall Street of its US anaimal feeds division, Purina Mills.

Confirmation of encouraging drilling news from the North Sea saw Goal Petroleum edge up a penny to 54p.

Specialist printer De La Rue reported a good set of results, at the top end of analysts forecasts, This, together with an upbeat message, anabled the shares to advance strongly – although profit-taking eventually limited then to a rise of 3 to 668p. Pre-tax profits jumped from £77.9m to £104.7m, while turnover increased to £559.5m from £415.4m.

Rolls-Royce shed a penny to 144p after cautious comments from Strauss Turnbull and Carr Kitcat. Interim figures ahead of market expectations boosted Westland Group. Profits jumped 23 per cent to £12.8m. The shares gained 14 to 187p, as analysts moved to upgrade year-end forecasts. Charterhouse Tilney added £2m to its original forecast and now predicts year-end profits of £29m. GKN which has a 28 per cent stake in Westland gained 7 to 464p cheered by the positive sentiment in the latter.

Talk of a rights issue weakened Siebe, which reports full year figures today. The shares gave up 5 to 460p.

Zeneca's debut in the premier FT-SE 100 listings was at the expense of English China Clays. The loss of its position in the listings unsettled the stock in early dealings and at the day's worst the shares were down 16 at 401p. However, they later recovered with the firm market trend to close a penny lower at 413p.

Executive changes at Dalgety left the food group just a penny adrift at 428p. A negative note, said to be from UBS, saw United Biscuits decline aided by the receding takeover talk which has hounded the stock in recent months. The shares shed 10 to 389p.

In a muted food retail sector, J Sainsbury and Tesco clawed back some ground after recent weakness, closing 5 ahead at 489p and 4¼ at 226¼p respectively.

Boots also recovered ground, ahead of its interim results tomorrow where the market expects profits in the region of £400-420m. The shares forged 7 ahead at 445p.

MARKET REPORTERS:
Christopher Price,
Steve Thompson,
Joel Kibazo.

■ Other statistics, Page 24

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (108).
BANKS (3) Banco Santander, Mitsui, Toyo, BREWERS (2) Morland, Wetherspoon (JD), BLDG MATLS (4) Epwin, Erith, Johnston, Sheffield Insulns., BUSINESS SERVS (3) Brit. Data Mngmt., ISS, Reed Executive, CHEMS (1) BTP, CONTG & CONSTRCN (3) Ashtead, Havelock Europa, McAlpine (A), ELECTRICALS (3) Mitsubishi, NEC, ELECTRICITY (2) Natl. Power, PowerGen, ENG AERO (4) Brit. Aerospace, Do 7¾pc Pf., ML, Westland, ENG GEN (2) Bridon, Fife Indmar, FOOD MANUF (2) Borthwicks, Carr's Milling, FOOD RETAILING (6) CreateCare, Greggs, Kynoch, Quality Care Homes, Regina, Westminster Healthcare, INV TRUSTS (18) Brit. Empire Secs., Drayton Korea, Bect. & General, Fidelity Euro, Values Wts., [illegible] Tst., Value & Income, [illegible] Pf., Anglia TV, Central ITV, City of Lon., More O'Ferrall, Quarto, Taylor Nelson, Trinity, Walmoughs, MERCHANT BANKS (2) Close Bros., Warburg (SG) 8pc Pf., MISC (4) Alumasc, Bluebird Toys, Chemring, Le Creuset, MOTORS (3) Evans Halshaw, Sanderson Murray Elder, TLS Range, OIL & GAS (2) Edinburgh Oil, Villiers, OTHER FINCL (4) Edn. Fd. Mngrs., Jardine Strategic, Mercury Asset. Mngmt., Perpetual, PACKG, PAPER & PRINTG (1) Wood (SW), PROP (8) Bucknall, Burford, Chesterfield, Debenham Tewson, Dencora, Ests. & Agency, Evans of Leeds, Salisland, STORES (4) Austin Reed, Blacks Leis., French Cnctn., World of Leather, TEXTS (4) Alexandra Workwear, Dewhirst, Lamont, Victoria, TRANSPORT (3) Ocean Wilsons, Powell Duffryn, WATER (1) Cheam, Do B, MINES (11).
NEW LOWS (22).
BANKS (1) Bk. Scotland 9⅛pc Pf., BREWERS (2) Bass, Fosters, BUSINESS SERVS (1) Hays, CHEMS (1) Cambridge Isotope, CONTG & CONSTRCN (3) Andrews Sykes, Smart (J), HEALTH & HSEHOLD (4) Haemocell, Halstund, Do A, Smith & Nephew, INV TRUSTS (1) Kleinwort Endowment Policy, MISC (2) Hornby, Shanks & McEwan, OTHER FINCL (1) 3 & U, OTHER INDLS (3) English China Clays, Pacific Dunlop, Williams 8p Pf., PROP (2) Land Lease, Waterglade Intl., TEXTS (2) Haggas (J), PEX, TRANSPORT (1) Vard.

FINANCIAL TIMES EQUITY INDICES

	Jun 1	May 28	May 27	May 26	May 25	Year ago	* High	* Low
Ordinary share	2211.7	2205.0	2213.7	2208.6	2206.5	2111.0	2299.5	2124.7
Ord. div. yield	4.17	4.24	4.21	4.23	4.24	4.37	4.52	4.07
Earning yld % full	5.31	6.15	6.11	6.13	6.15	6.40	6.38	5.31
P/E ratio net	23.77	19.90	20.02	19.96	19.90	19.55	23.77	19.40
P/E ratio nil	22.17	18.65	18.76	18.70	18.66	18.13	22.17	18.14
Gold Mines	200.6	198.4	197.1	202.7	195.3	108.1	202.7	60.0

*for 1993. Ordinary share index since compilation: high 2299.5 10/3/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2203.3	2204.6	2207.3	2202.2	2203.3	2202.7	N/A	2201.8	2209.6	2211.8	2198.3

Volume	Jun 1	May 28	May 27	May 26	May 25	Year ago
SEAQ Bargains	26,889	28,648	27,255	27,434	27,891	25,306
Equity Turnover(£m)†	-	1112.5	1365.0	1430.5	1288.2	1045.3
Equity Bargains†	-	34,366	31,800	31,565	32,165	28,013
Shares traded (mil)†	-	523.4	586.6	527.4	529.3	444.0

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

DEALING IN the newly demerged Zeneca yesterday was the highlight of the traded options in an otherwise dull derivatives sector, writes Joel Kibazo.

The launch of the contract in the traded options coincided with the first official day of trading in Zeneca's underlying stock. S.G. Warburg was said to have carried out the biggest trade in the stock option when it sold the July 650 "straddle" (calls and puts).

Total turnover in Zeneca was 1,154 by the official close, making it the day's third most actively dealt stock option.

That list was headed by Lasmo, in which 2,029 lots were traded as speculation that the company would soon announce disposals continued to do the rounds. It was followed by Tesco on 1,277. Total volume in the traded options was 14,683, up from 12,119 on Friday, with 4,053 contracts transacted in the FT-SE 100 option and 1,015 in the Euro FT-SE option.

In futures, the June contract on the FT-SE 100 recovered from early selling, boosted by the increasing strength of sterling and a firm Wall Street. Having opened at 2,843, just below Friday's close, it ended at 2,862, up 33 from Friday's finish and some 10 points above its fair value premium to cash of around 5 points.

Turnover at 4,517 lots was very poor. More than 1,000 contracts were dealt in the September contract, which finished with 2,882 lots traded.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2849.2 +8.5	3166.3 +0.9	1406.15 +2.73

[illegible]

Hourly movements

[illegible]

FT-SE Actuaries 350 Industry Baskets

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1993 high	1993 low	Yield Int.
"Shorts" (Lives up to Five Years)						
Treas 12½pc 1993‡‡		100⅞	—	103⅛	100⅞	12.39
Funding 6pc 1993‡‡		100	—	100¼	99⅞	6.00
Treas 13¾pc 1993‡‡		103¼xd	—	106⅛	103¼	13.25
8¼pc 1994		101⅞	—	102⅝	101⅞	8.35
14½pc 1994‡‡		106⅛	—	109¼	106⅛	13.64
Exch 13½pc 1994		106⅝	—	109⅞	106⅝	12.65
Treas 10pc Ln 1994‡‡		104⅛xd	+⅛	105⅝	104⅛	9.60
Exch 12½pc 1994		107⅜	+⅛	110⅛	107⅛	11.60
Treas 9pc 1994‡‡		104⅛	+⅛	105⅜	103⅜	8.65
12pc 1995		109⅛	+⅛	111⅝	108⅛	11.01
Exch 3pc Gas 90-95		95⅝	—	96¼	94	3.14
10¼pc 1995		107⅜	+⅛	108⅞	107⅛	9.57
Treas 12¾pc 1995‡‡		114⅛	+⅛	116⅞	113⅝	11.17
14pc 1996		117⅛	+⅛	120⅝	117⅛	11.92
15¼pc 1996‡‡		122	+⅛	125⅝	121⅛	12.50
Exch 13¼pc 1996‡‡		116⅝	+⅛	120⅛	116½	11.34
Conversion 10pc 1996		109⅛	+⅛	111½	106⅞	9.14
Treas 13¼pc 1997‡‡		119⅛	+⅛	122⅛	118⅞	11.11
Exch 10½pc 1997		111⅛	+⅛	113⅝	110⅛	9.45
Treas 8¾pc 1997‡‡		106⅛	+⅛	108⅛	105½	8.25
Exch 15pc 1997		128⅛	+⅛	132⅛	127⅞	11.71
9¾pc 1998		109⅛	+⅛	112⅝	109⅛	8.90
Treas 7¼pc 1998‡‡		100⅛	+⅛	103¼	99⅞	7.21
[illegible]						

Continued on next page

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or −	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		17⅞xd	−⅛	20⅞	16½	14,589	2.5
Allegheny & W	♥	585p	+27	605p	399p	304.0	3.2
Amdahl		345p	−7	591p	302¼p	387.4	0.9
Amer Cyanamid		33¼	+⅛	38⅝	31¾	2,997	3.1
Amer Express		16¾xd	−⅛	19½	14⅞	8,842	3.5
Amer T & T		36⅛xd	−⅛	40⅝	33⅞	52,775	2.7
Ameritech		48¾	−⅛	52¼	46	20,304	5.0
BankAmerica		29½xd	−¼	36⅛	27⅞	9,935	3.1
Bankers NY		45½xd	−⅛	51⅛	42⅝	3,677	4.3
Bell Atlantic		34¼	−¼	39⅛	32¾	15,098	4.9
BellSouth		33¼	−⅛	38⅝	32⅝	16,425	5.3
Bethlehem Steel	♥	12⅞xd	−⅛	19¼	10	1,120	−
Bowater		1389pxd	+10	1682p	1335p	505.6	1.8
CPC		27⅞xd	−¼	34⅝	26	4,174	2.9
Cadiz Land Inc	♥	134p	+10	134p	53p	−	−
California Engy		1380p	−	1478p	1068p	247.2	−
Chase Manhattan		19⅝xd	−⅛	24½	17⅛	3,063	3.9
Chrysler		28⅞xd	−⅛	29⅞	21⅛	8,389	1.3
Citicorp		18¼xd	+⅛	20⅞	13⅞	6,671	−
Colgate-Palm		37⅜xd	−⅛	45⅝	35¼	5,967	2.1
Cont'l Bank		1555p	+16	1677p	1278p	1,071	2.4
Dana		32⅜xd	−⅛	34⅞	29⅞	1,603	3.1
Data General		722p	−7	951p	593p	169.2	−
Decora Inds	♥	129p	+4	146p	109p	−	−
Dun & Brad		37⅝	−½	42⅝	37⅝	6,706	4.1

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1993 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv	♣†□	196	—	201	169	2.9	235.0	15.7
Warrants	□	45½	—	49	38	-	-	-
Scot Mortgage	♣□	192½xd	-½	201	178	2.8	222.5	13.5
Scot National Inc	♣W□	86xd	—	95½	89	10.6	-	-
Cap	□	25	—	29	18	-	53.7	53.5
Stepped Pf		161½	—	155¼	150¾	5.6	-	-
Zero Div Pf		209½	+½	212	207	-	-	-
Warrants		3½	—	5	3	-	-	-
Scot Value	†s□	79½xd	—	79¾	71	2.8	80.1	1.1
Sec Alliance	♣†	1435	-1	1503	1390	3.2	1605.9	10.6
Second Consld	□	132	+1	133	88	-	187.4	29.8
Second Market	♣a	320	—	328	259	0.9	352.5	9.4
Sec Tst Scot	♣□	82	—	84½	74½	6.0	83.1	1.3
Select Assets	□	121	—	130	109½	1.2	169.5	28.6
Eq Ind Sert		131	—	134	128	4.1	-	-
Eq Ind Sert		131	—	134	128	4.1	-	-
SHIRESCOT	aH	124xd	+1	124	104	6.3	124.1	0.9
Shires	♣M	239	+1	262	231	6.3	248.2	-4.3
11pc Cv Ln '03/04		£127½	—	£131½	£115½	8.6	-	-
Siam Select		129	+1	136	97	0.2	136.9	7.2
Warrants		36	+1	38	15	-	-	-
Smaller Cos	□	116xd	—	116	78	2.8	116.0	0.5
Warrants		37xd	—	37	14	-	-	-
Sphere Inc	□	21½	—	21½	14	18.6	32.8	34.1
Zero Div Pf		87¼	—	87¼	80¾	-	-	-
Scudi		60	+1	60	38	2.9	94.0	37.3
TR City of Lon	□	135¼	—	146¼	126	4.4	130.9	-3.4
TR Euro Growth	♣□	103	—	109	76	1.6	115.5	10.8
Ptg Sub		55	—	65	27	3.1	-	-
TR Far East Inc	♣†□	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INVESTMENT COMPANIES

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

	Notes	Price	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's
Greenwich Res	♣□	19	-1¾	22¼	5	14.6	-
Henlo Gold CS		95½	-1	66⅝	23½	532.2	1.7
Ivernia West IR	‡‡□	51	—	67	31	25.6	-
Kells Mins IR	‡‡	12	—	13	6	0.29	-
Kenmare	♣□	10¾	—	13½	6	10.3	-
Malinga Res.		14	+½	25½	13½	1.54	-
Navan Res IR	♣	50	+6	59	25	6.70	-
5pc Ln Notes		50	+6	50	25	8.51	-
Oryx Gold		62½	—	71	47	-	-
‡‡Ovoca Res IR		3½	—	3½	3½	0.24	-
RTZ	♣W□	687	-1	709	607	6,890	4.0
Vizcaya	♣	5¾♦	—	5¾	2¾	3.08	-

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings

v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other

official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

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FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a *formula laid down by the government. In* practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the *next* valuation. Investors can be given no definite price in advance of the purchase or sale being *carried out. The prices appearing in the* newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and *scheme particulars can be obtained free of* charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

OTHER UK UNIT TRUST[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Smith & Williamson Unit Tst Mgrs (1600)F
1 Riding House St, London W1A 3AS. 071-637 5377

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
S & W American	5	261.3	261.3	274.2	-1.5	0.71
S & W Capital	5	118.7	118.7	125.1	-0.1	1.63
S & W Cash	0	100.88	100.88	100.88	+0.01	5.39
S & W European	5	111.7	111.7xd	118.1	+0.8	1.24
S & W Far Eastern	5	148.7	148.3	158.9	-0.2	0.00
S & W Growth	5	125.1	128.9	134.3	-0.3	1.24
S & W Income	5	111.7	112.9	118.5	-0.3	4.55
S & W Magnum	5	123.2	123.2	132.2	-0.1	1.53
S & W Smllr Cos	5	313.1	321.8	340.5	+0.1	0.44
S & W Thoroughbred	5	142.2	142.2	152.7	-0.2	1.47

For Societe Generale Touche Remnant see Henderson

Sovereign Unit Tst Mngrs Ltd (1000)F
12 Christchurch Rd, Bournemouth 0202 298422

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Cash	1	49.71	49.71xd	50.21	+0.02	6.2
Chrtld Finance	5½	55.49	55.80	59.51	+0.03	8.0
Ethical	5½	52.37	53.33	56.73	-0.21	3.9
European Growth	5½	55.38	56.21xd	60.06	-0.20	3.0
Income	5½	50.66	51.36xd	54.76	-0.05	5.7
Intl Growth	5½	77.53	78.12xd	83.32	-0.51	3.0
Managed	5½	66.13	66.94	71.63	-0.27	3.8
UK Growth	5½	54.74	55.39	59.08	—	4.5

Standard Life Tst Mgmt Ltd (0730)H
3 George St, Edinburgh EH2 2XZ 0800 393777

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Managed Acc	5½	43.27	43.27	45.30	-0.2	1.70
UK Equity Gth Acc	5½	57.42	58.47	62.19	—	1.74
UK Eq High Inc Inc	5½	34.25	34.25	36.40	-0.3	3.94
UK Eq High Inc Acc	5½	40.67	40.67	43.22	-0.3	3.94
UK Equity Gen Acc	5½	53.23	54.21	57.88	-0.3	2.39
UK Equity Gen Inc	5½	40.26	41.00	43.57	-0.2	2.39
UK Larger Cos Acc	F 7½	363.9	368.8	400.2	-1.6	3.83
UK Larger Cos Inc	F 7½	270.5	283.3	307.4	-1.2	3.83

Robert Fleming Asset Mngmt Ltd

	Bid Price	Offer Price	+ or -	Yield Grs
Am Exempt	£606.98	616.11	—	1.50
Gen Exempt	£152.28	155.46	—	3.63
Jap Exempt	£603.28	614.22	—	0.93
Pacific Exempt	£155.41	160.19	—	1.08
Cont Euro Exempt	£116.67	118.73	—	2.34

Foreign & Colonial Unit Management Ltd

	Bid Price	Offer Price	+ or -	Yield Grs
Balanced Acc May 25	182.2	180.6	-0.8	3.59
Balanced Inc May 25	180.9	188.1	-0.8	3.59
Latin American Acc May 25	90.80	98.00	-0.4	1.64

Funds in Court*

	Bid Price	Offer Price	+ or -	Yield Grs
Capital May 14	563.83	557.98	—	3.7
Gross May 14	209.34	211.03xd	—	9.95
High Yield May 14	334.70	337.35	—	7.71

* Restricted to monies under Court control

Govett (John) Unit Mngmt Ltd

	Bid Price	Offer Price	+ or -	Yield Grs
Managed Exempt	107.84	112.14	-0.09	3.33

Henderson Unit Trust Management Ltd

	Bid Price	Offer Price	+ or -	Yield Grs
Pensions Mngd	60.83	62.14	-0.25	2.90
Henderson TR				
Ex European May 27	1291	1380	—	2.67
Ex Nth Amer May 27	1407	1428	—	1.52
Ex Pac Basin May 27	953	970	—	1.41
Ex Smllr Cos Inc May 27	1912	2025	—	4.31
Ex Smllr Cos Acc May 27	2046	2170	—	4.31

INVESCO MIM Management Ltd
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Grs
Asia & Australasia	£3.0660	3.1566xd	—	—
Far Eastern	£2.1550	2.1890	—	—

Albany Life Assurance Co Ltd
Pension Funds
Brit Blue Chip Acc
Eq Pen Fd Acc
Euro Fd Acc
Intl Fixed Int Acc
Fixed Int. Acc
Gt Money Fn Acc
High Interest
High Income Fd Acc
Intl Man Fd
Jap Pen Fd Acc
UK Smllr Co's Fd Acc
Europlus Metro
Global Metro
Sunrise Metro
UK Metro
N Am Pn Fd Acc
Pac Basin Fd Acc
Property
Multi Inv Pens Acc
Broker Funds
YRA Strategy
YRA Performance

Allied Dunbar Assurance Plc
Allied Dunbar Ctr, Swindon
Life Funds
Fixed Int. Dep. Acc
Equity Acc
Property Acc
Far East Acc
European Acc
Managed Acc
O'seas Earnings Acc
Gilt Edged Acc

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

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Providence Capitol Life Assc. Co Ltd - Contd.

Alpha Pension Funds	Bid Price	Offer Price	+ or -	Yield Gross
UK Alpha	228.6		—	-
US Alpha	118.7		—	-
GR Alpha	85.1		—	-
Gold Alpha	68.3		—	-
Japan Alpha	48.0		—	-
US Dollar Alpha	72.8		—	-
Yen Alpha	79.1		—	-
DM Alpha	88.3		—	-
European Alpha	85.0		—	-

Provident Life Assoc Ltd
Provident Way, Basingstoke RG21 2SZ 0256 470707

Gold Range (Pensions)				
Discretionary Fund	158.9		-0.3	-

Provident Mutual Life Assc. Assn.
8 Hills Way Stevenage Herts SG1 2ST 0438 732000

Scottish Amicable
150 St Vincent St, Glasgow 041-248 2323

Life Funds (First Series)	Bid Price	Offer Price	+ or -	Yield Gross
Managed	401.6	422.8	+0.10	-
Equity	501.8	528.4	-0.30	-
Property	239.4	252.0	—	-
International	395.7	416.6	-0.80	-
Japanese	115.9	122.0	-0.60	-
Asia Pacific	138.0	145.3	+0.10	-
European	106.9	112.6	-0.50	-
American	138.6	145.9	+0.80	-
Fixed Interest	332.4	349.9	+1.40	-
Index-Linked Gilt	185.0	194.8	-0.60	-
Cash	219.6	231.2	—	-

Scottish Equitable Life Assce. Soc.
28 St Andrew Sq, Edinburgh 031-556 9101

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

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	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
INVESCO MIM International (Jersey) Ltd						
PO Box 271, St Helier, Jersey 0534 73114						
Jersey Gilt (z)	5¼	[illegible]	[illegible]	[illegible]	[illegible]	5.00
Lloyds Bank (CI) U/T Mgrs.						
PO Box 195, St Helier, Jersey 0534 284242						
Lloyds Tst. Gilt	3½	10.149	10.160	10.528	[illegible]	7.60
Dealing daily						
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey 0534 606000						
Intl Circuit Portfolio	6	[illegible]	[illegible]	[illegible]	[illegible]	0.10
Gilt	3	[illegible]	0.9097	[illegible]	[illegible]	7.86
Prudential Fund Managers (Jersey) Ltd						
PO Box 103, St Helier, Jersey 0534 70009						
Prudential Currency Fd (Formerly Vanbrugh Currency Fd)						
Income (A & B)	5	209.8	209.8xd	220.3	-0.2	3.12
Growth (C & D)	5	309.4	309.4	324.9	-0.2	6
Royal Trust Jsy Fd Mngt Ltd (1400)F						
PO Box 428, St Helier, Jersey 0534 27441						
Govt Secs Fd	4	55.30	55.30xd	57.57	-1.07	[illegible]
Standard Bank Fund Mgmt (Jersey) Ltd						
PO Box 583, St Helier, Jersey CI 0534 67557						
International Bond	5	$–	15.94	16.87	+0.11	4.58
Sterling Bond	3	£–	[illegible]	[illegible]	[illegible]	[illegible]
Sterling Cap		£–	42.44	42.48	+0.08	5.73
TSB Trust Funds (CI)						
PO Box 538, St Helier, Jersey 0534 503002						
TSB Offshore Investment Fund Ltd						
Stg Deposit Class	3	102.11	102.11	105.17	[illegible]	5.00
Gilt & Fixed Interest	3	118.71	118.71	[illegible]	-0.35	[illegible]
Blue Chip & Gilt Edged	5	[illegible]	[illegible]	[illegible]	-0.11	[illegible]
International Bond	5	132.29	132.29	[illegible]	[illegible]	6.10
UK Equity	5	[illegible]	[illegible]	[illegible]	-0.48	1.29
International Equity	5	174.59	177.29	[illegible]	-0.60	0.57
Far Eastern	5	[illegible]	[illegible]	171.64	-1.74	0.00
European	5	123.54	124.29	130.83	+0.48	0.00
Pan American	5	330.01	333.53	351.09	-5.70	0.00
TSB Gilt Fund Ltd						
Quarterly Share	3	105.19	105.19	[illegible]	-0.29	7.73
Monthly Share	3	103.81	103.81	[illegible]	-0.28	7.64

JERSEY (REGULATED)(**)

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Bank Von Ernst & Cie AG - Contd.						
Bond Sub-Funds						
Sterling Fixed Int		£–	12.34	-	-	-
Sterling Fixed Int Div		£–	10.51	-	-	-
European Fixed Int		DM–	10.87	-	-	-
European Fixed Int Div		DM–	9.16	-	-	-
International Sub-Funds						
Global Equity		$–	10.41	-	-	-
Global Bond		$–	11.77	-	-	-
Global Bond Div		$–	10.31	-	-	-
Global Managed		$–	9.75	-	-	-
Banque Scandinave a Luxembourg SA						
16 Boulevard Royal, L-2449, Luxembourg						
Scandifonds						
Scandifond Equity Fund						
Equity Int. Acc	5	$–	16.50	17.35	-0.04	3.17
Equity Global	5	$–	1.49	1.57	-0.01	-
Equity Natural Res	5	$–	1.09	1.15	-0.02	-
Equity Japan Acc	5	Y–	114.94	120.70	-1.45	-
Equity UK	5	£–	1.37	1.45	-	-
Equity Nordic	5	$–	1.33	1.40	+0.01	-
Equity North America	5	$–	1.99	2.09	-0.01	-
Equity Mediterranean	5	$–	0.89	0.95	-	-
Equity Cont Europe	5	$–	1.46	1.54	-	-
Scandifond Far East						
Far East Global	5	$–	3.60	3.79	-0.02	-
Scandifond Bond Fund						
Bond Int. Acc	1	$–	12.17	12.30	+0.01	[illegible]
Europe Bond Acc	1	$–	1.59	1.62	-	7.15
Bond DEM Acc	1	DM–	1.21	1.24	-	[illegible]
Bond USD Acc	1	$–	1.39	1.41	-0.01	5.79
Bond Swedish Acc	1	SKr–	18.13	18.30	-	[illegible]
Scandifond International Sicav						
Intl Emerging Markets	5	$–	1.09	1.13	-	-
Barclays Diversified Portfolio						
14 rue Aldringen L-1118 352 4799 2339						
IPB Deutschmark Reserve		DM–	31.35	-	-	-
IPB Sterling Reserve		£–	10.22	-	-	-
IPB Swiss Franc Reserve		SFr–	30.40	-	-	-
IPB US Dollar Reserve		$–	20.23	-	-	-
IPB European Bond		Ecu–	17.32	-	-	-
IPB North American Bond		$–	20.97	-	-	-
IPB Espana		Pta–	2782	-	-	-
IPB Europe		Ecu–	17.82	-	-	-
IPB Japan		$–	28.23	-	-	-
IPB Pacific Rim		$–	23.58	-	-	-

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar in Rising Sun's shadow

THE YEN reached a new high against the dollar yesterday as dealers predicted that the US currency would fall to Y100 before there was any significant turnaround, *writes Peter John.*

The dollar was traded down to Y106.55 in early London trading with the Japanese Ministry of Finance reported to be advising against any assistance *arguing that it would be* ineffective.

Some dealers also cited comments from a former Bank of Japan official that an interest rate shift would not be considered until the Yen came below Y100 against the dollar.

Nevertheless. foreign exchange dealers reported *modest intervention by the* Federal Reserve and the Bank of Japan, "not so much to stem the rise but smooth its progress."

Additionally. there was a correction as the emphasis shifted from both currencies *towards the D-Mark following* comments by the Bundesbank last week suggesting that German interest rates might not fall as fast as expected.

Finally, the dollar received some support from the latest data published by the National Association of Purchasing *Managers yesterday. The Yen* closed unchanged at Y107.20 against the US currency.

Sterling also attracted attention as speculation of a half percentage point reduction in UK interest rates returned. The belief was strongest in the short sterling market but there was a general swing to the argument that Mr Kenneth Clarke, the new chancellor, *might demonstrate* his independence by making a further cut in the next few months.

The pound slid steadily throughout the day against the *D-Mark, closing at DM2.4700* against DM2.4775 previously. It was also weaker against the dollar ending a cent lower in London at $1.5510 against *$1.5610 previously.*

On the sidelines, there was some slight relief for the franc as the market discussed the potential outcome of a two-day meeting between Edouard Balladur, the French prime minister, and Chancellor Kohl of *Germany. The gains were* helped by an announcement that the French intervention rate had been maintained at 7.5 per cent. But that was countered by talk that Mr Balladur was poised to make comments in the French press about the current competitiveness of the franc.

The currency's very narrow room for manoeuvre with the D-Mark and consequently for an interest rate cut means that France could be forced to devalue.

The franc firmed to *FFr3.3760 against the D-Mark* from 3.3770.

The Spanish peseta recovered slightly although it continued to be a nervous market ahead of Sunday's general elections. The Spanish currency rose to Pta78.91 against the *D-Mark from Pta79.10* but dealers believe that Spain's current interest rates are unsustainable and the currency will remain under pressure.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jun 1	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	192.854	188.066	-2.48	3.24	42
Irish Punt	0.808628	0.799730	-1.10	1.80	50
Dutch Guilder	2.19672	2.18520	-0.52	1.21	26
Belgian Franc	40.2123	40.0135	-0.49	1.18	24
D-Mark	1.94964	1.94763	-0.10	0.78	7
Spanish Peseta	154.250	154.449	0.13	0.55	-2
Danish Krone	7.43679	7.47041	0.45	0.22	-20
French Franc	6.53883	6.58306	0.68	0.00	-37

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

£ IN NEW YORK

[illegible]

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

Greece	334.150 - 340.850	214.080 - 218.350
Hong Kong	12.0530 - 12.0656	7.7230 - 7.7240
Iran	2502.00 - 2504.00	1622.00 - 1624.00
Korea(Sth)	1244.60 - 1264.65	799.00 - 805.40
Kuwait	0.46880 - 0.46970	0.30050 - 0.30100
Luxembourg	50.70 - 50.80	32.70 - 32.80
Malaysia	3.9835 - 3.9940	2.5535 - 2.5540
Mexico	4.8570 - 4.8800	3.1165 - 3.1185
N.Zealand	2.8795 - 2.8830	1.8475 - 1.8500
Saudi Ar	5.8490 - 5.8600	3.7495 - 3.7505
Singapore	2.4980 - 2.5055	1.6000 - 1.6020
S.Af (Cm)	4.9580 - 4.9670	3.1790 - 3.1810
S.Af (Fn)	7.1690 - 7.2160	4.6000 - 4.6300
Taiwan	40.30 - 40.45	25.85 - 25.95
U.A.E.	5.7275 - 5.7405	3.6715 - 3.6735

POUND SPOT - FORWARD AGAINST THE POUND

Jun 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5505 - 1.5655	1.5505 - 1.5515	0.38-0.35cpm	2.88	1.00-0.97pm	2.54
Canada	1.9725 - 1.9910	1.9770 - 1.9780	0.24-0.16cpm	1.21	0.52-0.40pm	0.93
Netherlands	2.7625 - 2.7910	2.7625 - 2.7725	¼-½cdis	-1.63	¾-1dis	-1.26
Belgium	50.70 - 51.15	50.70 - 50.80	3-7cdis	-1.18	14-20dis	-1.34
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

Swiss Franc	$5\frac{5}{16}$ - $5\frac{3}{16}$	[illegible]	[illegible]	[illegible]	[illegible]	$4\frac{5}{8}$ - $4\frac{1}{2}$
D-Mark	$8\frac{1}{16}$ - $8\frac{1}{16}$	$8\frac{1}{16}$ - $7\frac{15}{16}$	8 - $7\frac{3}{4}$	$7\frac{13}{16}$ - $7\frac{1}{16}$	$7\frac{1}{16}$ - $7\frac{1}{16}$	$6\frac{7}{8}$ - $6\frac{3}{4}$
French Franc	$8\frac{1}{8}$ - 8	$8\frac{1}{8}$ - 8	$8\frac{1}{4}$ - $7\frac{13}{16}$	$7\frac{3}{4}$ - $7\frac{5}{8}$	$7\frac{1}{2}$ - $7\frac{3}{8}$	$7\frac{1}{8}$ - 7
Italian Lira	12 - 11	$10\frac{3}{4}$ - $10\frac{1}{2}$	$10\frac{3}{4}$ - $10\frac{1}{2}$	$10\frac{3}{4}$ - $10\frac{1}{2}$	$10\frac{5}{8}$ - $10\frac{1}{4}$	$10\frac{5}{8}$ - $10\frac{1}{4}$
Belgian Franc	$7\frac{1}{4}$ - $7\frac{1}{8}$	$7\frac{1}{4}$ - $7\frac{1}{8}$	$7\frac{1}{4}$ - $7\frac{1}{8}$	$7\frac{1}{8}$ - 7	$6\frac{13}{16}$ - $6\frac{11}{16}$	$6\frac{3}{4}$ - $6\frac{5}{8}$
Yen	$3\frac{1}{2}$ - $3\frac{3}{8}$	$3\frac{1}{4}$ - $3\frac{3}{16}$	$3\frac{1}{4}$ - $3\frac{3}{16}$	$3\frac{1}{2}$ - $3\frac{3}{8}$	$3\frac{3}{8}$ - $3\frac{1}{4}$	$3\frac{7}{16}$ - $3\frac{5}{16}$
Danish Krone	$8\frac{1}{2}$ - $8\frac{1}{4}$	$9\frac{1}{4}$ - $8\frac{3}{4}$	$9\frac{1}{4}$ - $8\frac{3}{4}$	$8\frac{3}{4}$ - $8\frac{1}{4}$	8 - $7\frac{1}{2}$	$7\frac{3}{4}$ - $7\frac{1}{4}$
Asian $Sing	$3\frac{1}{4}$ - $2\frac{1}{4}$	$3\frac{1}{4}$ - $2\frac{1}{4}$	$3\frac{1}{2}$ - $2\frac{1}{2}$	$3\frac{1}{2}$ - $2\frac{1}{2}$	$3\frac{1}{2}$ - $2\frac{1}{2}$	$3\frac{3}{4}$ - $2\frac{3}{4}$
Spanish Peseta	$14\frac{1}{2}$ - $13\frac{1}{2}$	14 - 13	$12\frac{7}{8}$ - $12\frac{3}{4}$	$11\frac{1}{2}$ - $11\frac{1}{4}$	$10\frac{3}{4}$ - $10\frac{1}{2}$	$10\frac{11}{16}$ - $10\frac{7}{16}$
Portuguese Esc	$14\frac{3}{4}$ - $13\frac{3}{4}$	15 - 14	$15\frac{1}{4}$ - $14\frac{1}{4}$	$14\frac{1}{4}$ - $13\frac{3}{4}$	$13\frac{5}{8}$ - $13\frac{1}{8}$	$13\frac{1}{4}$ - $12\frac{1}{2}$

Long term Eurodollars: two years $4\frac{3}{8}$-$4\frac{1}{4}$ per cent; three years 5-$4\frac{7}{8}$ per cent; four years $5\frac{3}{8}$-$5\frac{1}{4}$ per cent; five years $5\frac{11}{16}$-$5\frac{9}{16}$ per cent nominal. Short term rates are call for US Dollar and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

June 1	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.551	2.470	166.3	8.338	2.210	2.768	2282.	1.978	50.75	194.9	1.269
$	0.645	1	1.593	107.2	5.376	1.425	1.785	1471	1.275	32.72	125.7	0.818
DM	0.405	0.628	1	67.33	3.376	0.895	1.121	923.9	0.801	20.55	78.91	0.514
YEN	6.013	9.327	14.85	1000.	50.14	13.29	16.64	13722	11.89	305.2	1172	7.631
F Fr.	1.199	1.860	2.962	199.4	10.	2.651	3.320	2737	2.372	60.87	233.7	1.522
S Fr.	0.452	0.702	1.118	75.25	3.773	1	1.252	1033	0.895	22.96	88.19	0.574
N Fl.	0.361	0.560	0.892	60.08	3.012	0.798	1	824.4	0.715	18.33	70.41	0.458
Lira	0.438	0.680	1.082	72.87	3.654	0.968	1.213	1000.	0.867	22.24	85.41	0.556
C $	0.506	0.784	1.248	84.07	4.215	1.117	1.399	1154	1	25.66	98.53	0.642
B Fr.	1.970	3.056	4.867	327.7	16.43	4.355	5.454	4497	3.898	100.	384.0	2.500
Pta	0.513	0.796	1.267	85.33	4.278	1.134	1.420	1171	1.015	26.04	100.	0.651
Ecu	0.788	1.222	1.946	131.0	6.571	1.742	2.181	1798	1.559	39.99	153.6	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls July	Calls September	Calls December	Puts July	Puts September	Puts December
116	0.64	1.09	-	0.32	0.78	1.38
117	0.15	0.61	0.86	0.85	1.29	-
118	0.05	0.29	0.55	-	1.97	-
119	0.02	0.14	0.30	-	-	-
120	-	0.05	0.15	-	-	-
Open Int	5,090	115,775	31,317	7,270	102,115	15,178

Estimated volume 44,842 † Total Open Interest 302,450
† All Yield & Open Interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamsn Secs	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	Unibank plc	6
Bank of Scotland	6	Heritable & Gen Inv Bk.	6	●United Bk of Kuwait	6
Barclays Bank	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Western Trust	6
●Brown Shipley	6	Hongkong & Shanghai	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Julian Hodge Bank	6	Wimbledon & Sth West	7
Citibank NA	6	●Leopold Joseph & Sons	6	Yorkshire Bank	6
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk.	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

Futures bounce back

POOR Bank Holiday weather failed to dampen spirits in the short sterling market and dealers returned from the long weekend in a more optimistic frame of mind over possible interest rate cuts, *writes Peter John.*

Consequently. the futures *contract for September* delivery bounced back from Friday's lows, squeezing ahead nearly 15 basis points on heavy turnover and closing at what dealers considered a more realistic level.

The announcement of a Cabinet reshuffle and the appointment of Mr Kenneth Clarke as the new chancellor had not provoked a rush of enthusiasm.

The principal reaction appeared to be a technical adjustment following the shift from rumour to fact and a feeling that a further rate cut was unlikely over the summer while Mr Clarke got his feet under the table.

UK clearing bank base lending rate 6 per cent from January 26, 1993

Yesterday. however. there was a return to the argument that if there was to be a shift in the rates in the near term it is *more likely to be down than up* and the September contract ended the day at 94.28, still not discounting a half percentage point cut but sitting on the lower interest rate side of the fence. Almost 40,000 contracts changed hands.

Meanwhile, overnight money traded between 5½ and 5¼ per cent during the morning as a gilts repurchase agreement relating to the Bank of *England's support for the* pound before Black, or Golden, Wednesday was rolled over. It was then squeezed up to just under 7 per cent.

In the money markets, the Bank of England forecast a liquidity shortage of around £450m and offered no early help.

It did not operate during the morning but came in during the afternoon with £75m of assistance, buying band one bank bills at the established *5⅞ per cent rate.*

However, it provided around £540m of late, unspecified assistance, bringing total help to £615m. This compared with the latest forecast of a £600m liquidity shortage.

● In Germany, call money remained firm at the start of the new month, but dealers *expected rates to ease in the* coming week as the market adjusted. Overnight funds were quoted at between 8 and 8.25 per cent. Rates had risen to as *high as 8.5 per cent per cent on* Friday due to tightness in the market at the end of the month.

FT LONDON INTERBANK FIXING

(11.00 a.m. June 1) 3 months US dollars | 6 months US Dollars

bid 3¼ | offer 3⅜ | bid 3⅜ | offer 3½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

CROSSWORD

No.8,165 Set by GRIFFIN

ACROSS

1 Frenchman caught swallowing wine gum (6)
4 See 10 down
8 Good man enters choir disguised as a bird! (7)
9 In dubious case ridicule credit (7)
11, 23 Wrong crew (belong in different game) (5,5,7)
12 Middle-aged journalist is first to reach border (4)
13 American backs his revolutionary dish (5)
14 Rings fellow musician (8)
16 Hector cancelled start of; game (5-3)
18 George takes donkey on lawn (5)
20 Cheese crackers brought back after last course (4)
21 Speaker and I silent about suspension of activity (10)
23 See 11 across and 26 across
24 Kay said I'm rash to move here (7)
25 When on board take free fish (6)
26, 23 Naughtily *pinning* towel round bull's head for a game! (3-3,7)

DOWN

1 Selfish person's endless wretchedness (5)
2 Scribbles the first six inches (7)
3 Mixing gin with tonic, love, is unknown! (9)
5 One black Indonesian settler becomes a writer (5)
6 Standing around sailors polished some nuts (7)
7 Travelling bags got on sledges (9)
10, 4 across Reason given for dismissal of striker on certain grounds? (3,6,6)
13 Airforce divisions take Queen round SAS mess without (9)
15 Terrifying experience when dark soldier grabs mother (9)
17 Thin plate is weak and completely rejected (7)
19 Zeppelin designed one to publicise his new piano (7)
21 Beastly skin trouble starts gangrene in neck hair (5)
22 One Parisian in love introduced marriage (5)

Solution to Puzzle No.8,164

HOLIDAYSNAPS / ROUBLES LEGIBLE / NOTON SOLECISM / HEADHUNTER MEAD / RICH BATTALIONS / CHIPMUNK METRO / EVICTOR PRECAST / HARDYANNUALS

WORLD STOCK MARKETS

[illegible]

CANADA

TORONTO

4 pm close June 1

Quotations in cents unless marked $

[illegible]

Total Sales 26,384,453 shares

MONTREAL

4 pm close June 1

[illegible]

INDICES

NEW YORK

DOW JONES	May 28	May 27	May 26	May 25	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3527.43	3554.83	3540.16	3516.83	3554.83 (27/5)	3241.95 (20/1)	3554.83 (27/5/93)	41.22 (2/7/32)
Home Bonds	107.03	106.86	106.71	106.61	107.67 (7/5)	103.49 (11/1)	501.97 (27/4/93)	54.99 (1/10/81)
Transport	1579.12	1593.82	1597.80	1580.20	1683.08 (18/4)	1453.84 (4/1)	1683.08 (16/4/93)	12.32 (8/7/32)
Utilities	238.36	239.36	238.73	238.17	247.68 (16/4)	217.14 (8/1)	247.68 (16/4/93)	10.50 (8/4/32)

DJ Indl. Day's High 3583.41 (3582.23) Low 3503.62 (3523.26) (Theoretical♦)
Day's High 3554.83 (3565.07) Low 3510.27 (3540.16) (Actual♦)

STANDARD AND POOR'S

	May 28	May 27	May 26	May 25	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	450.19	452.41	453.44	448.85	456.33 (10/3)	429.05 (8/1)	456.33 (10/3/93)	4.40 (1/6/32)
Industrials♥	520.64	523.31	524.37	520.28	524.99 (10/3)	496.48 (26/4)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	42.99	43.34	43.53	42.45	46.67 (13/4)	39.89 (8/1)	46.87 (13/4/93)	8.64 (1/10/74)
NYSE Composite	248.60	249.43	249.90	247.70	251.36 (10/3)	238.21 (8/1)	251.36 (10/3/93)	4.46 (25/4/42)
Amex Mkt. Value	438.22	436.93	437.13	434.07	438.93 (27/5)	395.84 (8/1)	438.93 (27/5/93)	29.31 (9/12/72)
NASDAQ Composite	709.53	704.50	704.09	695.04	708.85 (4/2)	645.87 (26/4)	708.85 (4/2/93)	54.87 (31/10/72)

	May 21	May 14	May 7	year ago (approx.)
Dow Industrial Div. Yield	2.94	2.97	3.04	2.92

	May 26	May 19	May 12	year ago (approx.)
S & P Industrial div. yield	2.46	2.49	2.52	2.65
S & P Indl. P/E ratio	25.88	26.60	26.25	28.77

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Sonat Offshore	3,467,300	22⅛	--
RJR Nabisco	2,611,500	5½	- ⅛
Syntex	2,372,700	20½	+ ⅛
IBM	2,264,700	52⅞	- ⅞
Pepsico	2,236,200	38¾	--
Tanger Factory	2,212,000	25	--
Wal-Mart	2,082,000	27⅞	+ ⅛
Am Barrick	1,771,100	22⅞	+ ¼
Philip Morris	1,747,100	50⅞	- ¼
Homestake	1,716,900	18¾	- ½

TRADING ACTIVITY

† Volume (Millions)	May 28	May 27	May 26
New York SE	209.654	292.403	275.200
Amex	16.035	22.113	18.635
NASDAQ	(u)	277.786	283.393
NYSE			
Issues Traded	2,509	2,515	2,521
Rises	824	905	1,251
Falls	1,027	980	630
Unchanged	658	630	640
New Highs	62	130	95
New Lows	15	14	22

CANADA

TORONTO	May 31	May 28	May 27	May 26	1993 HIGH	1993 LOW
Metals & Minerals	2952.02	2937.53	2944.09	2927.40	2972.25 (9/2)	2743.31 (21/1)
Composite	3882.70	3866.40	3869.70	3865.30	3882.70 (31/5)	3275.80 (21/1)
MONTREAL Portfolio	1908.57	1905.23	1914.03	1915.71	1915.71 (26/5)	1720.87 (21/1)

Base values of all indices are 100 except NYSE All Common - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

	June 1	May 31	May 28	May 27	1993 HIGH	1993 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1733.9	1737.4	1760.4	1749.1	1760.40 (28/5)	1495.00 (13/1)
All Mining (1/1/80)	781.9	784.1	801.9	788.7	801.90 (28/5)	584.70 (13/1)
AUSTRIA						
Credit Aktien (30/12/84)	329.91	(c)	331.26	330.86	357.78 (9/3)	308.26 (14/1)
Traded Index (2/1/91)	793.94	(c)	797.55	797.46	860.17 (9/3)	712.08 (15/1)
BELGIUM						
BEL20 (1/1/91)	1192.79	(c)	1198.91	1197.88	1269.11 (7/4)	1125.46 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	296.56	(c)	298.73	298.93	305.06 (14/5)	261.90 (4/1)
FINLAND						
HEX General (28/12/90)	1188.9	1212.3	1213.9	1208.4	1248.20 (21/5)	843.10 (22/1)
FRANCE						
CAC General (31/12/81)	513.08	(c)	518.08	518.91	547.37 (30/3)	471.24 (13/1)
CAC 40 (31/12/87)	1872.80	(c)	1898.70	1904.59	2095.91 (30/3)	1772.21 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	637.71	(c)	642.25	641.15	675.70 (10/3)	598.92 (14/1)
Commerzbank (1/12/53)	1807.3	(c)	1820.9	1817.4	1908.10 (10/3)	1694.30 (14/1)
DAX (30/12/87)	1619.89	(c)	1631.85	1634.47	1717.40 (11/3)	1516.50 (13/1)
HONG KONG						
Hang Seng Bank (31/7/64)	7375.81	7372.19	7397.91	7447.24	7447.24 (27/5)	5437.80 (4/1)
IRELAND						
ISEQ Overall (4/1/88)	1553.89	1546.43	1552.46	1586.27	1591.74 (18/4)	1181.18 (11/1)
ITALY						
Banca Com. Ital. (1972)	545.21	538.99	539.45	540.81	559.17 (20/5)	448.38 (6/1)
MIB General (4/1/93)	1204.0	1191.0	1192.0	1194.0	1236.00 (20/5)	992.00 (11/1)
JAPAN						
Nikkei (16/5/49)	20591.41	20552.35	20843.69	20852.63	21054.71 (10/5)	16287.45 (25/1)
Tokyo SE (Topix) (4/1/68)	1637.25	1636.60	1654.82	1653.71	1654.82 (28/5)	1250.06 (25/1)
2nd Section (4/1/68)	2359.28	2368.62	2375.45	2354.33	2375.45 (28/5)	1651.72 (26/1)
MALAYSIA						
KLSE Composite (4/4/86)	740.06	(c)	735.25	736.07	740.06 (1/6)	614.28 (13/1)
NETHERLANDS						
CBS Tl.Rtn.Gen.(End 1983)	329.5	(c)	332.7	335.6	335.60 (27/5)	295.70 (4/1)
CBS All Shr (End 1983)	216.4	(c)	218.6	220.5	223.50 (19/4)	198.60 (13/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	791.65	(c)	797.98	800.90	827.94 (8/5)	689.98 (27/1)
PHILIPPINES						
Manila Comp (2/1/85)	1580.26	1588.68	1597.45	1609.03	1654.39 (5/5)	1270.88 (4/1)
SINGAPORE						
SES All-Singapore (2/4/75)	(c)	468.48	467.76	464.69	468.48 (31/5)	394.10 (13/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1856.0♥	(c)	1847.0	1834.0	1885.00 (24/5)	775.00 (5/1)
JSE Industrial (28/9/78)	4523.0♥	(c)	4535.0	4521.0	4845.00 (10/2)	4333.00 (19/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	751.97	752.31	(c)	737.22	752.31 (31/5)	605.93 (6/3)
SPAIN						
Madrid SE (30/12/85)	258.56	257.19	258.77	262.58	262.58 (27/5)	215.60 (4/1)
SWEDEN						
Affarsvariden Gen. (1/2/37)	1082.5	(c)	1097.0	1098.2	1098.20 (27/5)	878.10 (28/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	999.9	(c)	1007.1	1004.9	1007.10 (28/5)	904.80 (11/1)
SBC General (1/4/87)	769.4	(c)	772.7	772.7	772.70 (27/5)	678.70 (11/1)
TAIWAN**						
Weighted Price (30/6/66)	4316.43	4267.90	4356.10	4308.95	5013.28 (7/4)	3088.43 (8/1)
THAILAND						
Bangkok SET (30/4/75)	818.84	825.71	836.03	827.91	998.44 (25/1)	818.84 (1/6)
WORLD						
M.S. Capital Intl.(1/1/70) $	573.2*	573.1	575.2	573.8	575.20 (27/5)	498.60 (13/1)
Euro Top-100 (26/6/90)	971.20	973.94	975.21	979.88	979.88 (27/5)	882.73 (13/1)

**Saturday May 29: Taiwan Weighted Price: 4,285.37, Korea Comp Ex. 738.75.
♥ Subject to official recalculation.
*Calculated at 15.00 GMT.

Base values of all indices are 100 except Austria Traded, 183.20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX - 1,000. JSE Gold - 255.7, JSE 26 Industrials - 264.3 and Australia All Ordinary and Mining - 500; (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks
Tuesday, June 1, 1993

	Stocks Traded	Closing Prices	Change on day
Mitsui Mn & Sm	14.8m	583	+15
Nikko Kyodo	13.7m	573	+14
Japan Mt & Chm	7.4m	621	+27
Daido Steel	4.8m	615	+30
Mitsui Mining	4.4m	808	+43
S'tomo Mtl Min	4.4m	1130	+40
Nagoya Railroad	4.4m	655	-30
Morinaga Milk	4.3m	734	+14
Clarion	3.4m	625	-5
Nippon Carbon	3.3m	589	+34

4 pm close June 1

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14⅝	11½	AAR Corp	0.48	3.6	25	79	13⅝	13⅜	13½	
27½	20	A L Labs A	0.18	0.7	48	600	u27¾	27½	27⅝	+⅛
63½	54⅜	AMP Inc	1.60	2.6	22	1406	61⅞	61¼	61⅝	+¼
72⅝	55½	AMR			11	5257	u72⅝	71½	72½	+1¾
2¼	1¾	ARX			12	9	2	2	2	-⅛
51½	28⅞	ASA	2.00	4.2	31	686	49⅝	47⅝	47⅞	-2
30¾	22⅞	Abbott Lab	0.68	2.5	17	8393	27¼	26¾	27	-⅛
12⅝	10¼	AbitibiPr	0.50	4.3	4	9	11¾	11¾	11¾	-⅛
11¾	10¾	ACM Gvt In	0.96	8.3		194	11⅝	11½	11⅝	-⅛
9¾	9⅛	ACM GvOpp	0.80	8.1		82	u9⅞	9⅝	9⅞	+¼
9⅝	8¾	ACM Gvt Sp	0.80	8.4		198	9½	9⅜	9½	
11⅞	10½	ACM Gvt Se	0.96	8.7		209	11⅛	11	11	-⅛
11	9⅝	ACM Man	1.08	9.9		318	10⅞	10¾	10⅞	
9⅜	8⅝	ACM Managd	0.72	7.9		122	9⅛	9	9⅛	
11	7¾	Acme Cleve	0.40	3.8	13	39	10⅞	10⅝	10⅝	-⅛
9¼	6½	Acme Elect			254	148	7⅞	7⅜	7⅞	+⅛
16	11⅝	Acuson			13	549	11⅞	d11⅜	11¾	-¼
22¼	18⅝	Adams Expr	0.48	2.3	1	133	21⅜	21⅛	21¼	-⅛
66	45½	Ad Micro	3.00	5.2		110	59½	58¼	58¼	-½
32¾	17⅝	Ad Micro P	3.00	10.6	12	7269	29¼	28⅛	28¼	-½
7¾	5½	Advest Grp	0.16	2.7	10	24	6	5⅞	6	
24¾	20¾	Advo Inc	0.06	0.3	22	101	21¼	20⅞	20⅞	-⅜
49⅞	41⅛	Aegon ADR	2.95	6.3	9	53	46¾	46½	46¾	-¼
55⅜	43⅜	Aetna Li	2.76	5.0	140	3247	54⅞	53⅛	54⅞	+1½
14½	11½	AffiliA	0.26	2.0	30	4380	13½	13⅛	13⅛	+¼
40¼	33	Aflac	0.50	1.3	17	1918	40	39⅜	39½	
22⅛	16¾	Ahmanson	0.88	4.8	21	848	18⅝	18¼	18½	+¼
7⅞	4⅝	Aileen Inc			7	54	5¼	5	5⅛	-⅛
48½	40⅜	Air Pr Chm	0.86	2.0	17	1561	43⅜	42¾	43⅛	-⅜
25¾	18⅛	Airborne Frt	0.30	1.2	103	916	u25¾	25⅝	25¾	
31½	18¼	Airgas Inc			37	274	30⅜	29⅞	30¼	+¼
14½	10½	Airlease	1.60	11.0	11	23	u14½	14⅜	14½	
105	101	AlaPw8.16 x	8.16	8.0		z50	102	102	102	
105½	102½	Alab 8.28C x	8.28	7.9		z100	105	105	105	+1½

Continued on next page

4 pm close June 1

NYSE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]										

Continued from previous page

- S -

[illegible]

- T -

[illegible]

- U -

[illegible]

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

[illegible]

Price data supplied by Telekurs

[illegible]

AMEX COMPOSITE PRICES

4 pm close June 1

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

4 pm close June 1

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
[illegible]							

- A - [illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

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AMERICA

Decline in US bond yields elevates Dow

Wall Street

ENCOURAGED by another fall in bond yields, US share prices posted modest gains across the board as investors brushed off disappointing news on the economy, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was up 13.01 at 3,540.44. The more broadly based Standard & Poor's 500 was 2.34 higher at 452.53, while the Amex composite was up 0.83 at 439.05, and the Nasdaq composite up 2.05 at 702.58. Trading volume on the NYSE was 112m shares by 1 pm.

After the holiday weekend, traders and investors returned to the markets in subdued mood. Sentiment was not helped by the morning's main economic news: the National Association of Purchasing Management's May report, which showed that its index of manufacturing activity rose only slightly last month to 51.1 per cent. The rise was smaller than expected as analysts had forecast a level of 53.2 per cent.

One particularly troubling aspect of the report was the decline in the employment component. Coming just a few days before the May jobs report is released, the decline suggested that labour market conditions remain depressed throughout the economy.

The bad news on employment and the fall in the NAPM's inflation indicator cheered Treasury market investors, who pushed bond prices higher and yields lower. By early afternoon the benchmark 30-year bond was up almost ¾ of a point, and the yield was down to 6.92 per cent. It was this decline in bond yields that provided most of the upward momentum for share prices.

Commodore International plunged $1 to $3 in heavy trading after the company reported a fiscal third quarter loss of $5.37 a share, down sharply from the 12 cents a share profit earned a year earlier.

LTV climbed another $⅛ to $⅝ in volume of 4m shares as investors continued to buy the stock following last week's news of the company's victory in a long-running lawsuit against USX.

Motors stocks were higher on news of a rise in consumer spending. Ford firmed $¾ to $53, Chrysler added $¼ at $45 and General Motors climbed $¼ to $40⅝.

Raytheon rose $⅝ to $55¼ on the news that the defence contractor had bought the corporate jet business of British Aerospace for about $387m.

McDonald's firmed $¼ to $49⅞ after the chairman and chief executive, Mr Michael Quinlan, revealed that the company was considering the possibility of splitting the common stock, and said he was bullish about business prospects.

On the Nasdaq market, technology stocks were firmer, with Intel up $2⅞ at $113¾, Microsoft $2¼ at $94¾ and Oracle Systems $1¾ at $43⅛.

Canada

TORONTO was mixed in moderate midday dealings with weakening gold issues lending a negative bias to the market. The TSE-300 index was off 10.61 at 3,872.07 in turnover of 32.2m shares valued at C$238.74m. Advances led declines 312 to 280, with 248 issues unchanged.

The precious metals sector lost 124.79 or 1.46 per cent to 124.79 as gold bullion prices drifted lower in London.

SOUTH AFRICA

JOHANNESBURG was quiet as traders returned from the long weekend holiday and the gold price showed little movement. The golds index edged up 9 to 1,856 while industrials lost 13 to 4,522. The overall index shed 11 to 3,981.

EUROPE

Milan holds up as returning bourses decline

THE Whitsun holiday brought little vigour into returning bourses yesterday, *writes Our Markets Staff.*

MILAN, open for the holiday weekend, took comfort from the Fiat results which were released after Monday's close, noting particularly that the cut in the dividend, to L100 for the ordinaries, was much in line with expectations. The shares rose L60 to L5,940 at the fix, before slipping further to L5,850 on the kerb.

The Comit index rose 6.22 to 545.21. Many analysts see signs of recovery in Fiat, although not before 1994 when a new model line up is expected to come on stream. However, as *NatWest Securities in London* notes, with forecast annual spending of some L10,000bn on various projects the balance sheet will soon begin to look quite stretched: "there are consequently rumours of an imminent sale of La Rinascente and/or other assets".

The day's other major development also had its origins after Monday's close: the surprise announcement that Mr Michele Tedeschi, managing director of IRI, the state holding company, was to be transfered to a similar position at Stet, the telecommunications subsidiary of IRI. The news was greeted positively as indicating that Stet will be restructured ahead of the privatisation of the sector. The shares fixed up L98 at L3,190 and at L3,210 on the kerb.

PARIS saw a choppy day as the CAC-40 index moved between a day's low of 1,859 and a high of 1,876, before closing 15.90 lower at 1,872.80. There appeared to be no discernible reason for the trading pattern aside from technical factors on the futures exchange. Turnover was low at FFr1.5bn.

Euro Disney fell FFr2.45 to FFr67.50, one explanation being that profits were being taken after recent gains. Eurotunnel went against the trend with a rise of 50 centimes to FFr25.70.

FRANKFURT looked depressed as the DAX index dropped 11.96 to 1,619.89 in turnover of only DM3.5bn. The Bundesbank is not expected to cut key interest rates this week, and weekend comment pointed to the adverse reaction in the bond market.

Saturday's arson attack on a Turkish home in Solingen was cited as another reason for the market's mood. A number of market leaders fell by 1 per cent or more including Mannesmann, which reported 1992 earnings down from DM14 to DM8 per share, and a dividend cut from DM9 to DM6.

Balance sheet conferences are expected this week at Kaufhof, the retailer, and Philipp Holzmann, the construction group. Kaufhof, due today, fell DM11 to DM463. Holzmann, Germany's largest construction company, set its rights issue price at DM650 a share yesterday and, itself DM2 higher at DM975, figures in a bearish review of the industry's share price prospects from Merck Finck in Düsseldorf.

Mr Horst-Kaspar Greven of Merck Finck acknowledges that the industry is booming. But, he says, share price valuations are "exotic", prospects are likely to deteriorate, and share prices in the sector are likely to underperform in the coming months.

ZURICH dipped on profit-taking in light volume, the SMI index closing 17.8 lower at 2,252.9. There were signs that the recent interest rate falls had come to a standstill.

Among speculative stocks, Oerlikon-Bührle bearers rose SFr12 to SFr535 after the Swiss government said that the company could go ahead with its planned sale of 60 PC-7 training aircraft to South Africa.

AMSTERDAM was easier with Fokker providing the exception to the downward trend after announcing an order for five of its aircraft. Its shares gained 80 cents to Fl 14.80 on the news.

The CBS Tendency index slipped 0.8 to 104.4.

MADRID regained virtually all of the ground it lost on Monday, dealers noting that prices recovered late in the day after the US equity market made a good start.

The general index rose 1.37 to 258.56. In a mixed banking sector, Argentaria fell Pta75 to Pta4,650 on rumours that its entry into the Ibex index might be delayed until December.

BRUSSELS fell back slightly although activity was reported to have been low. The Bel-20 index lost 4.12 to 1,192.79 in low turnover of BFr590m.

Solvay, the chemicals group, was one of the day's few gainers, rising BFr100 to BFr11,200 while most of the financial stocks eased.

STOCKHOLM declined on profit-taking with the exception of Astra which saw a gain in the B shares of SKr1 to SKr751, helped by news over the weekend that its anti-ulcer drug may also be used successfully for the treatment of cancer.

The Affärsvärlden general index fell 14.5 or 1.3 per cent to 1,082.5. Turnover declined to SKr752m from SKr1.06bn.

Trelleborg, the mining group, continued to weaken, the B's down SKr5.00 to SKr46.50 after its announcement on Friday of severe losses for the first four months of 1993.

COPENHAGEN slipped as the June future expired, the KFX index falling 1.13 to 83.87 in desultory turnover of DKr451m. Traders were hoping that tax reform negotiations, due to resume on Thursday, might breathe new life into the market. HELSINKI fell by some 2 per cent with the bulk of the declines coming in the industrial sector. The HEX index lost 25.4 to 1186.9 in thin turnover of just FM56.4m.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

June 1 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1157.12	1153.89	1153.33	1153.11	1152.20	1151.60	1153.10	1153.22
FT-SE Eurotrack 200	1216.32	1216.71	1215.53	1216.13	1214.96	1214.07	1215.04	1215.43

	May 28	May 27	May 26	May 25	May 24
FT-SE Eurotrack 100	1161.58	1165.01	1162.51	1164.13	1156.98
FT-SE Eurotrack 200	1224.85	1231.31	1228.76	1224.18	1217.42

Base value 1000 (26/10/90) High/day: 100 - 1157.21; 200 - 1216.71 Low/day: 100 - 1151.34 200 - 1213.14.

ASIA PACIFIC

Nikkei average moves ahead in spite of stronger yen

Tokyo

BARGAIN hunting absorbed the unwinding of arbitrage positions, and the Nikkei average closed modestly higher in spite of the yen rising further against the dollar, *writes Emiko Terazono in Tokyo.*

The Nikkei gained a net 39.06 at 20,591.41 after falling to a low of 20,469.83 in the morning on sporadic arbitrage-linked selling. The index peaked at 20,687.98 just before the close.

Volume totalled 370m shares, against 342m on Monday. Most investors remained on the sidelines due to the further strengthening of the yen, which at one point rose to a new Tokyo high of Y106.88 to the dollar. Declines narrowly led rises by 507 to 496, with 175 issues unchanged. The Topix index ended 0.65 points up at 2,359.28, and in London the ISE/Nikkei 50 index edged ahead 1.92 to 1,241.55.

Dealers said activity was dominated by arbitrage-linked trading ahead of the futures and options settlement for June contracts on June 11. Mr Nobuhiro Kaneda, head of equity trading at Daiwa Securities, said investors were in the final stage of adjusting their positions before next week's settlement day.

According to Daiwa, long cash arbitrage positions against June futures contracts have fallen to some Y680bn from a peak of Y1,200bn through unwinding and rolling over of positions. Long positions against the September contract now total about Y150bn.

In spite of currency movements, NEC rose Y30 to Y1,030 on reports that it had acquired a licence to use software made by Apple Computer, of the US. Other leading high-technology issues were higher on bargain hunting, Fujitsu firming Y10 to Y765 and Hitachi Y2 to Y847.

Chiyoda, the plant engineering concern, moved ahead Y60 to Y1,700 on reports that it had won a large-lot order to build natural gas plants in south-east Asia.

Mining companies were higher on reports that blast-furnace steel makers were increasing the use of coal. Mitsui Mining and Smelting, the most active issue of the day, appreciated Y15 to Y583, while Sumitomo Metal Mining advanced Y40 to Y1,130.

Speculative issues continued to rise on buying by individual investors. Nippon Carbon climbed Y34 to Y589 and Morinaga Milk put on Y14 at Y734. Clarion, however, relinquished Y5 to Y625 on profit-taking.

In Osaka, the OSE average rose 29.09 to 22,935.31 in volume of 21.7m shares. Small-lot buying of speculative favourites fuelled the advance.

Roundup

AS ITS neighbour, Singapore, took a holiday (along with Bombay, Karachi and Jakarta), Kuala Lumpur came back from a day off to register a new closing high.

KUALA LUMPUR gave strong buying of index-linked shares the credit for its closing peak of 740.06, up 4.81, although volume was down a little from 421m to 391m shares.

Support for the index stocks came just before the close. The biggest gain was made by the feedmill group Gold Coin, which forged ahead M$1.32 to M$6.00 in turnover of 4.5m shares, on scrip issue rumours.

SEOUL just failed to hold Monday's closing high, the composite index losing 0.34 to 751.97 in volume of 69.9m shares.

Relatively low-priced shares were supported by the notion that they have potential compared with other stocks which have drawn attention in recent days. Kukje Corp and Saeil Heavy Industries went limit up, rising Won400 apiece to Won9,300 and Won8,960 respectively.

TAIWAN was led higher by finance issues, the weighted index adding 48.53 at 4,316.43 in turnover down from T$18bn to T$15.9bn.

A broker said the good performance by finance stocks, especially the three provincial commercial banks – First, Chang Hwa, and Hua Nan – was due to rumours, thought unlikely to be true, that some provincial assemblymen are trying to revise the assembly's initial dividend-distribution plan for the three banks to distribute more dividends.

BANGKOK stayed bearish, the SET index ending 6.87 lower at 818.84. Turnover was healthier at Bt2.9bn, but brokers said about one-third of this could be attributed to trade in four new listings.

AUSTRALIA's All Ordinaries index lost 3.5 at 1,733.9, but was above the day's worst on news of higher than expected domestic economic growth. HONG KONG, in contrast, almost lost a midday rebound, the Hang Seng index closing just 3.62 up at 7,375.81.

MANILA nudged lower on foreign selling and what was described as marginal (0.92 per cent) GNP growth in the first quarter. NEW ZEALAND finished mixed, although leading issues staged a late recovery to close mainly higher. The NZSE-40 index was finally 0.85 ahead at 1,638.36.

Reservations about French strength

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1993	Start of 1993	Start of 1993
Austria	-0.12	+3.18	-15.51	+2.51	+0.73	+3.85
Belgium	-1.59	-0.82	+1.32	+8.58	+7.24	+10.57
Denmark	-2.94	+1.93	-12.77	+14.19	+14.30	+17.85
Finland	-2.49	+1.57	+54.86	+47.91	+39.53	+43.87
France	+2.58	-2.11	-4.95	+4.26	+4.23	+7.46
Germany	+1.07	-0.08	-9.81	+6.62	+5.54	+8.80
Ireland	+1.22	+0.95	+13.30	+28.27	+17.78	+21.43
Italy	-3.65	+2.55	+17.68	+27.11	+24.18	+28.03
Netherlands	+1.38	+1.70	+3.61	+10.22	+9.24	+12.63
Norway	-0.77	-2.06	-8.50	+13.11	+12.51	+16.00
Spain	+1.62	+6.01	+1.48	+21.50	+7.61	+10.95
Sweden	+0.40	+4.77	+15.91	+12.71	+7.83	+11.17
Switzerland	+1.63	+6.58	+17.43	+10.76	+11.02	+14.47
UK	+0.84	+0.95	+6.30	+1.27	+1.27	+4.42
EUROPE	+0.82	+1.24	+2.96	+6.56	+5.53	+8.81
Australia	+3.98	+3.69	+0.61	+10.89	+7.45	+10.78
Hong Kong	+2.97	+8.56	+19.25	+34.82	+31.07	+35.14
Japan	+2.36	+1.08	+22.95	+24.73	+40.90	+45.27
Malaysia	+1.39	+6.47	+46.57	+28.64	+27.62	+31.58
New Zealand	+1.13	+1.77	+4.38	+9.07	+11.83	+15.29
Singapore	+1.66	+5.64	+11.43	+18.66	+17.45	+21.10
Canada	+0.40	+0.71	+7.45	+11.26	+7.91	+11.27
USA	+1.00	+2.45	+8.38	+3.38	+0.25	+3.36
Mexico	-1.84	-0.49	-8.21	-9.84	-12.54	-9.83
South Africa	+0.19	+8.05	+6.95	+27.95	+30.33	+34.38
WORLD INDEX	+1.43	+1.91	+10.77	+10.96	+12.93	+16.43

† Based on May 28th 1993. Copyright, The Financial Times Limited, Goldman Sachs & Co, and NatWest Securities Limited.

By John Pitt

Performances among the world's equity markets were mixed last week, although the strength of Wall Street and Tokyo helped to underpin sentiment.

US markets were encouraged by the successful passage of President Bill Clinton's budget package through the House of Representatives. Disappointing economic data on Friday erased some of the gains, but what were left, combined with broadly based rises in Japanese equities, left the FT-Actuaries World index 1.4 per cent higher in local currency terms.

The unveiling of the French government's economic stimulus programme was warmly received and the CAC-40 index advanced 2.7 per cent on the week. While there was an enthusiastic initial response to the measures, which included a convertible privatisation bond, some later observations were more cautious.

Hoare Govett, for instance, notes in its latest strategy document that there is a risk of the market being swamped with new paper when the privatisation cycle gets under way later in the year.

"Given the collapse of earnings for French companies and the generally recessionary environment, it becomes difficult to see where the necessary net new investment in shares will come from," Hoare writes. "The problem is compounded by the fact that most non-resident institutional investors currently hold overweight positions, leaving little scope for further expansion of their portfolios."

The broker concludes more positively, arguing that the privatisation bond "might just supply a way out of the vicious circle of economic recession, a depressed bourse and the need for greater government spending".

Australia recorded a 42-month high last week, on a soaring gold share market fuelled by bullion's current international allure, and a recovery in some underperforming industrial stocks.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY MAY 31 1993								FRIDAY MAY 28 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (68)	136.74	–1.3	129.87	92.66	112.82	132.37	–1.3	3.76	138.61	131.65	93.93	114.37	134.18	144.19	117.39	151.70
Austria (18)	145.66	+0.0	138.25	98.64	120.10	120.34	+0.0	1.71	145.56	138.25	98.64	120.10	120.34	150.96	131.16	171.26
Belgium (42)	147.31	+0.0	139.91	99.81	121.54	118.61	+0.0	4.79	147.31	139.91	99.81	121.54	118.61	156.76	131.19	143.28
Canada (108)	129.22	+0.4	122.73	87.56	106.61	118.98	+0.4	2.78	128.67	122.20	87.18	106.15	118.46	129.97	111.41	127.25
Denmark (33)	219.34	+0.0	208.32	148.63	180.97	181.38	+0.0	1.24	219.34	208.32	148.63	180.97	181.38	225.64	185.11	252.02
Finland (23)	100.23	+0.1	95.19	67.92	82.70	113.11	+0.1	1.09	100.15	95.12	67.87	82.63	113.02	100.92	65.50	78.90
France (96)	158.16	+0.0	150.21	107.16	130.48	132.98	+0.0	3.38	158.16	150.21	107.16	130.48	132.98	167.36	142.72	164.95
Germany (62)	113.20	+0.0	107.52	76.72	93.40	93.40	+0.0	2.27	113.20	107.52	76.72	93.40	93.40	117.10	101.59	123.66
Hong Kong (55)	299.30	+0.0	284.27	202.81	246.96	298.78	+0.0	3.15	299.41	284.37	202.89	247.05	298.89	301.61	218.82	253.94
Ireland (15)	163.79	–0.7	155.57	110.99	135.14	150.21	–0.7	3.53	164.88	156.60	111.73	136.04	151.20	170.40	129.28	158.24
Italy (73)	70.05	–0.3	66.53	47.47	57.80	76.54	–0.3	2.51	70.25	66.72	47.60	57.95	76.75	72.82	53.78	72.60
Japan (470)	150.68	–1.2	143.11	102.10	124.34	102.10	–1.2	0.82	152.58	144.92	103.39	125.91	103.39	152.58	100.75	104.82
Malaysia (69)	344.03	+0.0	326.75	233.12	283.84	338.80	+0.0	1.99	344.03	326.75	233.12	283.84	338.80	344.03	251.66	232.56
Mexico (18)	1493.02	+0.5	1418.03	1011.71	1231.86	5092.24	+0.5	1.33	1485.97	1411.33	1006.94	1226.05	5068.21	1725.81	1410.30	1674.84
Netherland (24)	170.52	+0.0	161.96	115.55	140.70	138.53	+0.0	3.99	170.52	161.96	115.55	140.70	138.53	172.75	150.39	160.28
New Zealand (13)	49.14	–0.6	46.67	33.30	40.55	48.02	–0.6	4.76	49.45	46.97	33.51	40.80	48.33	49.82	40.56	47.10
Norway (22)	159.74	+0.0	151.72	108.25	131.80	146.25	+0.0	1.80	159.74	151.72	108.25	131.80	146.25	166.21	137.71	187.59
Singapore (38)	259.43	+0.4	246.40	175.80	214.05	192.18	+0.4	1.79	258.38	245.40	175.09	213.18	191.40	259.43	207.04	226.12
South Africa (60)	199.01	+0.0	189.01	134.85	164.19	201.07	+0.0	2.49	199.01	189.01	134.85	164.19	201.07	201.01	144.72	243.26
Spain (46)	128.55	–0.6	122.10	87.11	106.07	122.17	–0.6	4.88	129.38	122.88	87.67	106.74	122.96	132.82	115.23	160.53
Sweden (36)	184.06	+0.0	174.81	124.73	151.87	195.37	+0.0	1.73	184.06	174.81	124.73	151.87	195.37	184.06	149.70	200.28
Switzerland (55)	129.36	+0.0	122.86	87.66	106.74	113.72	+0.0	1.91	129.36	122.86	87.66	106.74	113.72	129.36	106.91	107.32
United Kingdom (218)	179.97	+0.0	170.93	121.94	148.48	170.93	+0.0	4.06	179.97	170.93	121.94	148.48	170.93	181.99	162.00	197.74
USA (519)	183.94	+0.0	174.70	124.65	151.77	183.94	+0.0	2.78	183.94	174.70	124.65	151.77	183.94	186.27	175.38	170.21
Europe (765)	147.94	+0.0	140.50	100.25	122.06	132.99	+0.0	3.36	147.99	140.56	100.29	122.11	133.04	149.02	133.92	155.94
Nordic (114)	171.77	+0.0	163.14	116.40	141.72	160.90	+0.0	1.55	171.75	163.12	116.39	141.71	160.88	171.77	142.13	187.14
Pacific Basin (713)	154.51	–1.1	146.75	104.70	127.49	108.83	–1.1	1.08	156.31	148.46	105.92	128.97	110.10	156.31	105.89	111.24
Euro-Pacific (1478)	151.70	–0.7	144.08	102.79	125.16	119.34	–0.7	1.89	152.78	145.11	103.52	126.05	120.19	152.78	117.26	129.34
North America (627)	180.53	+0.0	171.46	122.35	148.98	179.52	+0.0	2.78	180.50	171.43	122.32	148.85	179.48	182.38	171.51	167.52
Europe Ex. UK (547)	128.05	–0.1	121.61	86.79	105.67	111.55	–0.1	2.88	128.13	121.70	86.84	105.74	111.63	128.65	112.51	131.06
Pacific Ex. Japan (243)	192.58	–0.4	182.91	130.52	158.91	176.98	–0.4	3.10	193.40	183.68	131.07	159.58	177.82	194.08	152.70	174.45
World Ex. US (1664)	152.22	–0.7	144.57	103.16	125.60	121.46	–0.7	2.01	153.23	145.53	103.84	126.43	122.27	153.23	118.51	131.53
World Ex. UK (1965)	160.07	–0.5	152.03	108.48	132.09	137.68	–0.5	2.12	160.80	152.72	108.97	132.69	138.30	160.80	134.22	138.48
World Ex. So. Af. (2123)	161.69	–0.4	153.57	109.57	133.42	140.25	–0.4	2.30	162.36	154.20	110.03	133.97	140.83	162.36	137.29	142.93
World Ex. Japan (1713)	169.68	+0.0	161.16	114.99	140.02	162.13	+0.0	2.98	169.73	161.20	115.02	140.06	162.17	169.94	157.47	165.35
The World Index (2183)	161.84	–0.4	153.71	109.67	133.54	140.77	–0.4	2.31	162.50	154.34	110.12	134.08	141.35	162.50	137.32	143.58

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Corrected indices: May 28: USA and related indices. May 31: Switzerland, USA and related indices. For further information telephone (London) 873-4400.

Markets closed 31/5/93: Austria, Belgium, Denmark, France, Germany, Malaysia, Netherlands, Norway, South Africa, Sweden, Switzerland, UK and USA. Latest prices were unavailable for this edition.

FINANCIAL TIMES SURVEY

SHANGHAI

SECTION III

Wednesday June 2 1993

The message from senior officials in Shanghai is that this booming port intends to become a leading financial and trading centre in Asia, competing vigorously with the region's dynamic centres such as Hong Kong, Singapore and Seoul. Tony Walker reports

Old dragon roars again

SHANGHAI'S city fathers describe it as the economic "Dragon Head" for the whole Yangtze river region. The phrase neatly expresses the city's soaring ambitions, which are endorsed by central government cadres in Beijing.

The message from top officials in this booming port city is that Shanghai aims to become a leading financial centre in Asia, competing vigorously with the region's dynamic centres, such as Hong Kong, Singapore and Seoul.

Mayor Huang Ju is happy to trumpet Shanghai's mission entrusted to it, he says, by the watershed 14th Communist Party Congress in Beijing last year that endorsed "socialism with Chinese characteristics" (meaning almost anything goes as long it works).

"The Congress clearly pointed out that Shanghai, as the head of the dragon, should become an international trade and financial centre in the Far East and Western Pacific within the next 20 years," he says.

Privately, Shanghai's senior officials are more specific. The year 2010 is often mentioned as the target for the city to achieve its ambitions, one of which is to overtake Hong Kong as a financial services and trading giant.

Shanghai embarks on this mission with formidable advantages, tempered by some conspicuous disadvantages. Advantages include its location at the mouth of the Yangtze whose riverside cities and towns, including Shanghai, account for about half of China's industrial output. It is also favoured by a motivated and well-educated population whose latent commercial instincts have been fired by China's accelerated reforms.

Among its disadvantages are a chronically overburdened infrastructure in a densely-packed city of 13m; a relatively unsophisticated financial services sector that will take years to reform even if the government has the will to do so; and the deadweight of numerous state industries, at least 20 per cent of which are loss-making.

Judging by Shanghai's speedy advances on various fronts in the past year, its ambitious aims are within reason, if not within its grasp. But it still has far to travel before it can hope to be included in the same league as Tokyo or Hong Kong, or even Seoul and Taipei.

In their race to catch up, Shanghai officials could be forgiven for casting envious eyes south towards Guangdong province and the Shenzen economic zone adjacent to Hong Kong, which were first to be accorded the economic freedom to experiment over the past 10 years.

The Bund, Shanghai: The year 2010 is often quoted as the target for the city to achieve one of its ambitions – to overtake Hong Kong as a financial services and trading giant *Picture: Sarah Murray*

Shanghai, birthplace of the Chinese Communist Party and scene of great turbulence during the Cultural Revolution of 1966-76, has, on the other hand, been kept on a tight leash by Beijing, fearful of its wilfulness. Through the 1980s, Shanghai's once virtually unchallenged status as China's premier industrial and exporting powerhouse was gradually eroded.

Since 1978, the year that China tentatively embraced its "open door" policy, the municipality's share of the country's exports has declined from 30 per cent to 7 per cent last year. It lost its ranking as number one exporter to Guangdong in the mid-1980s and in 1985 yielded to Jiangsu province its long-coveted status as the provincial-level unit with the greatest absolute value of industrial output (GVIO).

Shanghai officials date the city's resurgence in the past year to the more encouraging policies of the central government that followed a tour of southern China in February 1992 by Mr Deng Xiaoping, China's paramount leader, during which he urged faster growth.

While seeds for last year's explosion of activity had been sown well before Mr Deng's intervention, his injunction to the nation to "seize the opportunity" has proved a powerful catalyst at all levels.

The municipality recorded growth in 1992 on total GNP of RMB105.4bn of 14.8 per cent, well above the national average of 12.8. This compared with Shanghai's stuttering growth rates in the 1980s which were only about half those recorded nationally.

Foreign and provincial-level investment poured into Shanghai in 1992, with foreign companies pledging $3.5bn, equal to total investment for the previous 10 years. Shanghai's securities exchange and the growth of investment opportunities, especially real estate, have been a powerful magnet.

Last year the flow of funds into and out of the municipality reached RMB300bn, compared with RMB120bn in 1991. Figures for the first quarter of this year show that Shanghai is continuing to experience strong growth, well ahead of national targets of 8-9 per cent. GNP growth for the three months, compared with the equivalent period last year, reached 14.2 per cent with manufacturing up 22 per cent, retail sales up 30 per cent, and real estate investment up 12 per cent. Imports surged by 30 per cent, while growth in exports by value was a disappointing 4.3 per cent.

Planning commission officials explained that exports were down partly because activity lagged during the long Spring Festival holiday, but also because it was now becoming more profitable to sell in the domestic market. Officials appear surprisingly insouciant about inflation which reached 16.7 per cent last year, well above the reported national average of about six per cent. Wages in Shanghai shot up by 17-18 per cent in 1992.

Mayor Huang contends that Shanghai's inflation, with its own "Chinese characteristics", is manageable.

The present bout differs markedly, he says, from the sharp price rises of the 1980s that almost derailed the reform effort and necessitated a tight credit squeeze.

Then, inflation flowed from a surge in imports and unrestrained growth; now, it derives mostly from changes to the pricing system as part of China's sweeping structural reforms.

Whatever the truth, municipal economic policy envisages no slackening in growth rates and thus demand for imports. Shanghai plans annual growth of 10 per cent for the rest of this decade, but officials are confident that the rates achieved will be higher.

If targets are met, the city's economy would nearly double by the year 2000, a staggering advance on the present.

Much hope is pinned on new foreign investment pouring into the city's various developments zones including, principally, the new Pudong zone of more than 500 sq km on the east bank of the Huangpu river.

Western officials are sceptical about what they believe are some of the more grandiose claims registered about Pudong's growth prospects. They also note that efforts to upgrade the zone's infrastructure are flagging due to lack of funds. But it is also true that Shanghai's rapid economic take-off in the past year confounded the sceptics.

The city's energies have been unleashed after a faltering start and it is set to maintain a cracking pace... if it can overcome huge infrastructure problems left over from years of neglect.

Shanghai's roads, rail system, sewerage, telecommunications, housing are all inadequate for a city of its size and aspirations. Shanghai officials acknowledge these drawbacks and have instituted a crash programme to improve transport and communications, but efforts to rebuild the city's decaying infrastructure, especially its road system, are adding, unavoidably, to the chaos.

About 750 roads are being worked on at present, and traffic snarls are a feature of daily life.

In their efforts to launch Shanghai into the 21st century Mayor Huang and his colleagues can at least be confident that, unlike the barren years of the 1980s, the city now has a coterie of fairly active supporters in Beijing.

Mr Jiang Zemin, General Secretary of the Communist Party and newly-appointed state president, is a former mayor himself; although perhaps more important is the presence of Mr Zhu Rongji, China's "economic czar" in the Beijing hierarchy.

Mr Zhu is the immediate past mayor of Shanghai and is credited with having laid the foundations for its latest growth spurt.

STREETS, HOMES, SEWERS

A creaking infrastructure

Shanghai: new tower blocks dwarf old colonial houses Picture: Sarah Murray

"IT'S becoming a Bangkok overnight," said the long-term foreign resident when complaining about Shanghai's traffic-clogged streets.

Among the big costs of the city's economic boom are frequent traffic jams and a chronically overburdened public *transport system. The bulk of* greater Shanghai's 13.34m residents and 3.6m transients, including visitors and casual workers, are crowded into an urban area that measures just 375 square kilometres.

Population density in the city's 12 administrative districts is 22,000 per sq km, making it one of the world's most densely populated cities.

Decades of neglect, accompanied by rapid population growth *in the 1960s and 1970s*, have placed an enormous burden on municipal engineers and planners. While the economic surge has added to this burden, the boom is also bringing billions of dollars of long overdue investment in the city's crumbling infrastructure.

It's an extraordinary statistic, but during the decade of the Cultural Revolution from 1966-76 not one floor of housing was constructed at a time when the city's population increased dramatically.

Shanghai, with its chronic overcrowding and antiquated sewers, is still paying the price, although the present zero population growth rate is helping to lessen demand for housing.

In 1992, the municipal government devoted Rmb32.5bn to industrial, telecommunications, housing and infrastructure-type projects, including Rmb10bn to water and sewage, roads and railways. Expenditure represented an increase of about 25 per cent on the year before. Spending will be maintained at a similar level this year.

Hard-pressed officials of the Municipal Construction Com*mission, who estimate that* 5,000 construction projects were undertaken last year, say they expect infrastructure problems to ease in the second half of the decade with the completion of larger capital works projects. These include.

- a second suspension bridge across the Huangpu river to facilitate movement from the west bank to the giant Pudong development area on the east bank. This is expected to be opened by October this year.
- two "super-highways", one to Hangzhou and the other to Nanjing.
- a Metro system to be finished by late-1995 from southern Shanghai to a big new railway station in the north. A feasibility study is being conducted into a second metro from the airport to Pudong under the Huangpu.
- extensive renovation of Shanghai's 3,500km of roads, including the building of several flyovers to clear traffic from the city centre. At least one ring-road is under construction.
- A crash housing construction programme with plans to complete about 6m square metres of additional floor space annually until the end of the *century*.
- huge urban renewal and road-widening projects that will result this year in the relocation of some 36,000 families, and the demolition of about 15,000 older houses or 1.2m sq m of floor space.

Mr He Da-wei, a senior engineer of the Shanghai's construction bureau, said that shortage of funds was a big problem. He estimated that about Rmb100bn would be required to complete planned infrastructure projects by the end of the decade.

Shanghai was looking to international lending institutions and to foreign governments for assistance. Germany, for example, has provided soft loans to help in the construction of the first phase of the Shanghai subway. Mr He was fairly confident that traffic problems would ease by the mid-1990s, but he acknowledged that city planners were battling an explosion in vehicle ownership which would continue through the year 2000.

Numbers of vehicles on Shanghai's roads increased by 30,000 annually in the past two years to a figure of about 300,000 by the end of 1992.

By the end of the decade, 600,000 vehicles are expected to crowd the city. At the end of last year there were about 7m bicycles.

Whatever expenditure is planned on roads, bridges, tunnels and flyovers, it is virtually certain that, with annual economic growth rates of 14 per cent for the rest of the decade, Shanghai's traffic problems are set to continue, and may get worse.

Tony Walker

Shanghai Securities Exchange: staff are hard-pressed Picture: Cathryn Tremain

Stock exchange aims to become a world force in capitalism

Big ideas on dance floor

IT IS spring in Shanghai and the fancy of many Shanghainese has turned not towards love, but money.

In the first three months of the year, turnover on the Shanghai Securities Exchange exceeded that for the whole of last year, and activity continues to accelerate. Investors are crowding dozens of suburban securities sales outlets in their efforts to catch the stock market wave. Frenzied scenes at these sales centres resemble those one might encounter at a betting shop in the last seconds before an important race such as the Derby.

At the Shanghai Securities Exchange (SSE) itself, located in a converted ballroom of an old-style hotel on the banks of the Huangpu river, hard-pressed staff battle to keep up with developments in the face of a new bout of investment fever. Madam Li Qian, an SSE official, said that apart from dealing with fast-moving events such as new listings and the introduction of foreign brokerage houses to the market, staff were also being overwhelmed by a stream of visitors.

The SSE has a modern electronic quotation board Picture: Cathryn Tremain

"This exchange has become an important tourist spot," she observed wearily. The SSE, with its modern electronic quotation board, scripless trading and hundreds of yellow-jacketed brokers' clerks, is one of the most striking symbols of the new free-wheeling capitalism that is sweeping China after years of drab central control.

Officials make no secret of their ambition to turn the SSE into not only a powerful national institution, but an international one as well. "Our aim," said Madam Li, "is to be a major international market by the year 2000."

Judging by plans for the construction of a new exchange to be located in the Pudong development zone across the Huangpu river from the present site, the SSE is preparing for the day when it might match the New York, Tokyo or London exchanges for business volume. The new Shanghai exchange would be housed in a 30-storey building of three trading floors, equipped to accommodate 3,000 traders, including a main floor of 2,000 trading seats.

As a reminder of several of Shanghai's grand historic buildings from an affluent past, the new exchange is to be called Shanghai Securities Mansion. The SSE has developed extraordinarily quickly since it officially began operations on 19 December, 1990 – the first of China's two exchanges.

Initially, it offered what became known as "A" shares denominated in local currency. "B" shares issued in dollars and restricted to foreign investors followed last year. Market capitalisation in both "A" and "B" *shares reached* Rmb57bn in 1992. Turnover exceeded Rmb141bn.

At the end of the year, 29 "A" shares and nine "B" shares had been listed. Listed companies had grown to 47 "A" and 10 "B" by mid-April with plans this year for many more listings. The "A" share market dominates with 70 per cent of turnover.

The SSE is also formulating plans to list what Madam Li *described as "C" shares* on the Hong Kong stock exchange. Leading Chinese companies such as Qingdao Brewery and Shanghai Petrochemical are engaged in the arduous process of satisfying stringent foreign listing requirements.

The SSE began in 1986 as a bond trading centre before it developed into a full-blown stock exchange. It was also used for over-the-counter (OTC) trading, mostly in stocks issued by state-owned companies to staff in lieu of bonuses.

With the official 1990 launch of the SSE, OTC trading in Shanghai has withered. Some 270 securities companies from all over China are represented on the SSE. The exchange offers 563 trading seats, of which 80 are still vacant. Twenty-three have been set aside for foreign brokerage houses, and Madam Li expects these to be filled this year.

The SSE official acknowledged teething problems in the operations of the exchange. Trade in "B" share was sluggish, for example, because the process of buying and selling required "two steps" involving foreign underwriters and local brokers. This was a disincentive to trade.

The SSE was also looking forward to the promulgation of a national securities law that would be aimed at strengthening regulatory procedures and thus engendering greater confidence in the market which has been subject to wild fluctuations.

Local investors, Madam Li said, were becoming more sophisticated and were attempting to analyse the strengths and weaknesses of particular companies. But she added that "some people still want to speculate and turn the market into a casino."

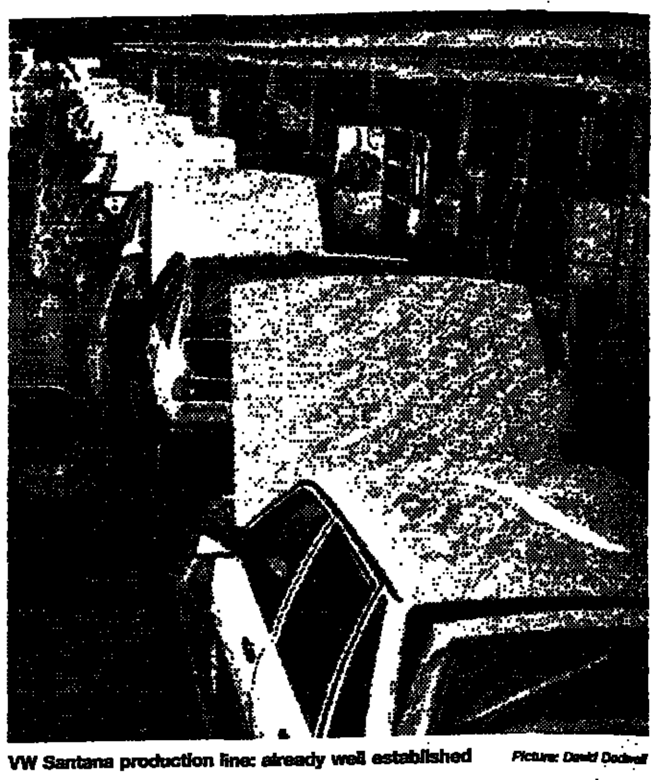
For the moment the SSE has no plans to list foreign companies. Its immediate priorities, apart from developing the Shanghai market itself, are to promote the listing of Chinese firms on the Hong Kong exchange. This year promises to continue to be busy for both the SSE and the Shenzen exchanges following the announcement by the central government that it was providing a Rmb5bn fund to assist companies throughout China to secure listings with a restriction at this stage of a maximum of two enterprises per province.

Madam Li expects a rush of applications which would test the SSE's and Shenzen's regulatory resources (Shenzen on the border with Hong Kong is the only other official exchange). Companies seeking a listing would be required to have minimum paid-up capital of Rmb10mn, and to have shown a profit in each of the past three years. They would also be obliged to provide detailed information about assets and liabilities.

In its efforts to promote orderly trading and to improve basic knowledge about the operations of the exchange, the SSE has begun publishing the *Shanghai Securities Weekly*. It also issues its own index based on a weighted market capitalisation of all stocks with December 19, 1990 (the first day of trading in "A" shares) as the basis with an index of 100. The "B" share index is calculated from February 21, 1992, the first day of B share trading.

It is not impossible that before long Shanghai's SSE index will be quoted in the same breath as London's FTSE, Wall Street's Dow Jones, Tokyo's Nikkei and Hong Kong's Hang Seng.

Tony Walker



VW Santana production line: already well established Picture: David Dodwell

The multinationals are investing in strength, says **Tony Walker**

Nanking Road's familiar names

WALK down Nanking Road, Shanghai's main shopping street, stroll on the Bund along the Huangpu river, or cross the river to the Pudong development zone and evidence of foreign investment abounds.

On Nanking Road, Benetton, Stefanel and the Sincere department store chain from Hong Kong have established new shops and emporiums. Du Pont and Pilkington have settled in Pudong, and a Kentucky Fried Chicken sign has been attached to the stately facade of the old Dong Feng hotel on the Bund.

After a hesitant start, foreign investors are pouring money into Shanghai. And local officials, foreign businessmen and western commercial attaches say investment is likely to continue to surge.

Mr Xia Zhongguang, senior economist with the Shanghai Municipal Foreign Investment Commission, described 1992 as a "very special year" in which approval was given for 2,012 projects with proposed investment of \$3.5bn, equal to the previous entire 10 years.

Since 1978 the Shanghai FIC has approved more than 4,000 projects with total investment of \$8.5bn, of which about 40 per cent of committed funds have actually been invested.

Hong Kong investors have been the most active, followed by the US, Japan and Taiwan. But with the establishment of formal relations between China and South Korea last year, South Korean business may soon figure prominently in Shanghai's future.

The first three months of the year saw approval for 750 new projects with projected investment of \$1.8bn.

Relaxation of controls on foreign investment in real estate has helped fuel the investment surge. About half of new investment is in real estate, including office buildings and residential quarters. The rest is fairly evenly divided between light and heavy industry.

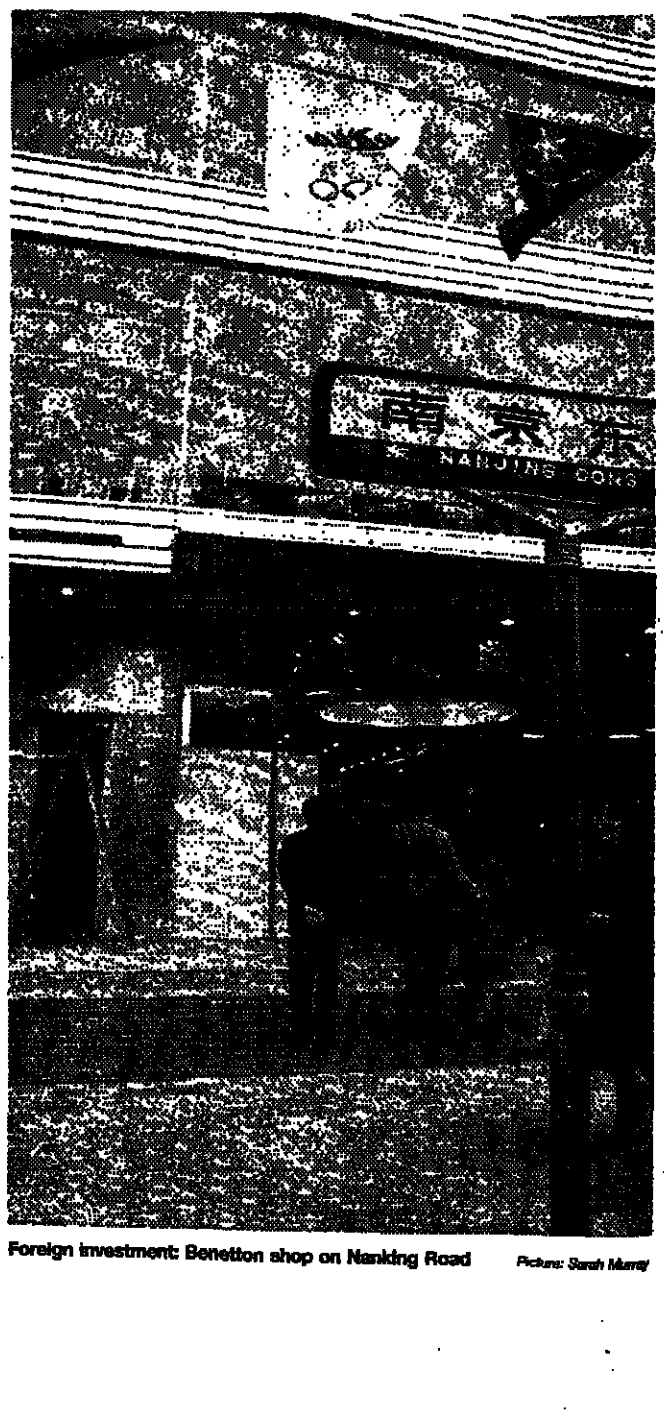
Foreign banks and insurances companies are also boosting their presence in the Shanghai, including several ground-breaking ventures. Banque National de Paris and Commercial Bank of China signed in 1992 a \$60m agreement to establish China's first joint venture bank. Shanghai also approved China's first foreign insurance company – American International Group – a wholly owned joint venture. AIG had operated in China since early this century, until the communist takeover.

A feature of rapidly increasing foreign investment is heightened Japanese involvement, after a slow beginning. Hitachi, Sharp, Matsushita and Toshiba are just a few of the big-name Japanese companies becoming more deeply engaged in Shanghai's economy. Japanese investment of about \$200m is proposed in plants producing air conditioners, compressors, components for TV tubes and batteries.

Ford is also moving in with plans initially to produce automotive components, but with a view eventually to becoming involved in building a range of vehicles. Among foreign car makers Volkswagen is already well established, producing Santana sedans.

Mr Xia made it clear that Shanghai's main aim was to attract high technology industries, and preferential tax policies, including three-year tax holidays, were aimed at this sector. So far, 120 projects in the hi-tech area had been given the go-ahead, including Volkswagen and Pilkington which is involved in a successful float glass joint venture.

Shanghai's other priority is to attract foreign investment in infrastructure projects such as power stations, highways and telecommunications. As a clever inducement, the authorities are offering valuable real estate as compensation.



Foreign investment: Benetton shop on Nanking Road Picture: Sarah Murray

A TALE OF TWO CITIES: LIVERPOOL AND SHANGHAI

Ports share a history of trade and culture

TRADING with China depends on guanxi, says Mr Ben Chapman, whose last job was as commercial counsellor at the British embassy in Beijing. Guanxi is a combination of goodwill and friendship: people prefer to deal with those they know and are wary of buying from strangers.

Mr Chapman is now director of the Merseyside office of the Department of Trade and Industry in Liverpool and is confronted daily with the locality's biggest and chronic problem: unemployment and the search for new jobs.

Over several decades, Merseyside's economic structure has wobbled and weakened as its port has modernised and shed thousands of jobs. The port is now successful and profitable, but male unemployment on the Liverpool side of the Mersey exceeds 24 per cent – on the Birkenhead and Wirral side it is more than 21 per cent; nearly 100,000 people are out of work.

Merseyside needs investment and new trading opportunities.

When Mr Chapman arrived from China three years ago it immediately struck him that here was somewhere capable of developing some guanxi and benefiting from it.

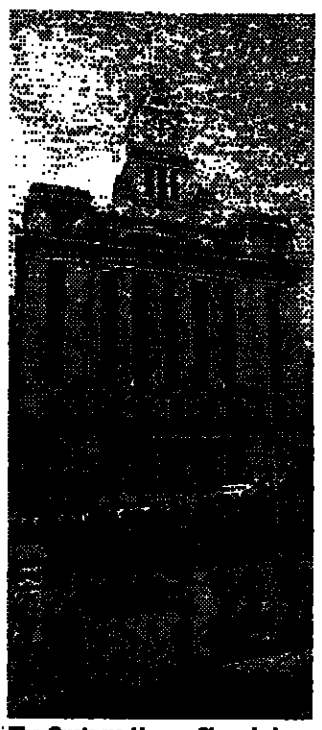
Shanghai looked particularly promising as a potential twin. The reason went beyond superficial similarities between the famous waterfronts that symbolise both Liverpool and Shanghai as deep-water ports with long traditions of trading worldwide.

Several large and nationally important Merseyside companies are already in China, with developing links to Shanghai or other crucially important regions through substantial joint ventures or trading agreements.

For example, Pilkington's float glass plant is now regarded as an archetypal example of a successful joint venture, involving transfer of strategically significant technology and know-how to China and good returns now for the UK company.

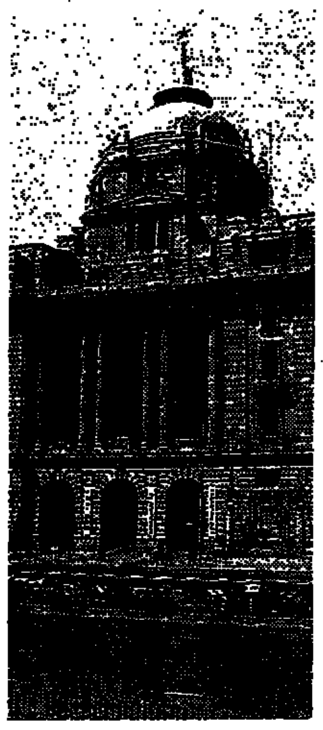
Pilkington is based in St Helens, one of the five Merseyside boroughs. Another borough, Knowsley, is the home of BICC, the cables manufacturer, which is also a significant China trader.

GPT, the telecommunications company which, in its Plessey days, developed System X digital telephone



The Customs House, Shanghai

Royal Liver building, Liverpool



Former bank building, Shanghai

The Town Hall, Liverpool

exchanges in Liverpool, is also well-established, while Balfour Beatty is playing a central role in the Beijing metro.

In addition, Littlewoods, the most dominant private sector business on Merseyside, is developing ever-stronger manufacturing and trading links with China in textiles and clothing. And on top of this, Liverpool has a special, cultural affinity with China.

Although Manchester's Chinatown has grown rapidly in the past decade because of that city's emergence as the undisputed capital of Northern England, it sprang from Liverpool's Chinatown, which most regard as Europe's oldest.

There has been a Chinese community on Merseyside for 125 years. The first Chinese were sailors but they were followed by fellow-countrymen who set up warehouses and ships' chandleries.

About 15,000 people of Chinese descent now live on Merseyside, forming a substantial and coherent community.

The DTI was sufficiently confident of prospects to turn last January's Chinese New Year celebrations in Liverpool into a well-organised festival of eating, drinking, and Chinese cultural events – with a trade seminar on the side.

Just in case anyone thought this might be a unilateral declaration of a quest for guanxi, the Chinese authorities soon dispelled the thought. The Orchestra of Canton arrived to make its British debut at Liverpool Philharmonic Hall, accompanied by three singers from the Cantonese Opera.

The festival included art workshops, exhibitions, folk art, *cinema, Chinese medicine* demonstrations and lectures by Mr Kwok Man Ho, an expert on the five Chinese sciences of astrology, geomancy, palmistry, medicine and enlightenment through meditation and martial arts.

The DTI's seminar attracted 300 people representing companies which wanted to do business in China. But the most significant step for improved guanxi was the presence of Mr Huang Ju, the mayor of Shanghai, who spent the Chinese New Year in Liverpool.

The importance of his presence was not so much concerned with the ceremonial trappings of his office but the real power vested in the mayoralty. He is the political chief of a region of 13m people with an economy growing at 15 per cent a year.

His importance was further confirmed less than three months later when he became a member of China's politburo.

In April, Merseyside sent its own delegation to Shanghai, led by Liverpool's Lord Mayor, Ms Rosemary Cooper, whose non-political career was as a menswear buyer with Littlewoods.

With her went Mr Chapman, Mr John Entwistle, chairman of Liverpool Chamber of Commerce, Mr Trevor Furlong, chief executive of the Mersey Docks and Harbour Company, and Mr Arthur Rothwell, the retired chief of Ford Halewood who now chairs the Mersey Partnership.

The newly-formed partnership pulls together local public and private sectors and has promotion of industrial development as one of its main aims. Guanxi is a central part of its role.

"The partnership cannot clinch a deal at the end of the day, but we can direct Merseyside companies and potential inward investors to where there are opportunities in both country's markets," Mr Rothwell says.

He was not expecting to come back with orders for Merseyside companies, only to develop more guanxi, but this aim seems to have hit the mark.

"Three steps down a very long road," was one description of what had been achieved when the delegation returned.

Tangible results are in sight, however. The Shanghai authorities are now planning to send a trade mission to Merseyside.

Mr Furlong's Liverpool Freeport – the most successful experiment of its kind in Britain – is likely to be an attractive selling point.

It allows goods to be imported into the Mersey docks and worked on or stored, with no VAT being due until they are moved out into the market to be sold.

Another Merseyside mission will probably take place next year, while the Chinese New Year festival next winter will continue to be used as a showcase for the cultures and markets of both countries – and to encourage guanxi.

As Mr Chapman puts it: "Guanxi doesn't guarantee you will get business, but you won't do any at all without it. It gets you on the list of people to do business with."

Merseyside seems to have made the right start.

Ian Hamilton Fazey

Liverpool: About 15,000 people of Chinese descent now live on Merseyside, forming a substantial and coherent community

Picture: Glyn Genin

Profile: A UK-Chinese partnership

Where profits rose 55-fold

The Shanghai Foxboro Company Limited (SFCL) is, to all appearances, a modest little enterprise in a Shanghai suburb. Its offices and factory are neat and modish, at least by Chinese standards. Its sales of Yuan 107m are in western terms hardly spectacular. But SFCL is, by all accounts, one of the most successful joint ventures in China.

The company was set up just 10 years ago. In that time, its sales have multiplied 66-fold, its profits 55-fold. The western partner, the UK engineering group Siebe, describes it as "a super business". Since Siebe is among the faster-growing companies in Britain, this suggests SFCL's performance stands up to western scrutiny.

It is a further measure of its success that the local management are prepared to talk candidly about the problems the venture faced at the outset, not all of which have been wholly overcome.

Foxboro of the US, the Siebe subsidiary which set up the joint venture, makes systems which control the production process in big, basic industries such as oil, petrochemicals and power generation. It is thus tied to the phenomenal growth of the Chinese economy.

The point has not been lost on its western competitors such as Honeywell and Rosemount, which have entered the market in force. But SFCL has hung on to some 15 per cent of the market, and is claimed by both partners to be solidly profitable.

If all this sounds conventional, the proposition is less simple at closer range. The basic idea behind the venture, as with most of its kind, is that the western partner provides the product and the technology, the Chinese the market and low-cost manufacture. But for a sophisticated and long-standing venture such as SFCL, more is required. The company has to embrace not just western technology, but western techniques of management. It is Foxboro's job to supply them.

Just how this works in practice is not easy for the outsider to define. Although Foxboro might seem in principle to hold all the cards, it owns only 49 per cent of the equity. The Chinese government is the senior partner, and runs it that way.

The working language of the company is Chinese. The two men in charge of the business – Mr Wang Zhenfeng, general manager, and Mr Edward Haderer, his deputy – have no common language, and communicate through an interpreter. Along with the chief engineer, Mr Haderer is one of only two non-Chinese in the 450-strong workforce.

"When it comes to a lot of the day-to-day operations", Mr Haderer says, "Mr Wang Zhenfeng takes care of things completely independently of me. But when an issue occurs which could require interpretation or decision-making between the two partners, I call him in, and he does the same. We're both involved very closely in things like budget-setting and expenses."

All the same, it is clear that progress to western-style management has some way to go. While profitability is excellent, Mr Haderer says, "some of the *other figures look rougher*". Take, for example, the level of inventory. "At one time", he says, "inventory was to a Chinese company like money in the bank. You bought as much as you could get hold of. That was hard to turn round, though we're making progress."

Part of the problem, Mr Wang Zhenfeng adds, has to do with suppliers. "We may work on small quantities, but the suppliers have minimum quantity levels. We may only want 200 of a certain kind of resistor a year, and the minimum supply is 1,000." All this is characteristic of a command economy, and will doubtless right itself as the move to a market economy proceeds. In the meantime, FSCL has to carry stock levels roughly twice those of Foxboro operations elsewhere in the world.

Another cultural problem from the early days is recalled by Mr Donald Sorterup, Mr Haderer's predecessor, now vice-president of international operations. "At the outset, the Chinese staff had a tremendous fear of taking on responsibility. When it came to repairing a computer, they'd have the technological knowledge to realise the circuit board in question was worth $10,000. That was so far out of their reckoning that they'd be terrified of getting it wrong. It took us a while to convince them they wouldn't go to jail."

Since then, Mr Haderer says, things have got better. All the same, he remarks, "as a western manager, I'm sometimes surprised by the amount of energy focused on seeing whether responsibility can be taken on by somebody else".

Another issue which has to be continuously addressed, he says, is quality. This might seem odd for a company which was the first in China to win the coveted ISO9001 international quality standard. But the concept of quality, Mr Haderer says, is not really in the Chinese culture. "During the years of the planned economy, the issue was to complete quotas. The important thing was to deliver your 100 widgets in the month. If it was 105, so much the better. If when you shipped them they didn't work too well, that wasn't so important."

On the other hand, he says, that is changing with the market economy. "When I see a Chinese customer now looking at a blouse or a teapot in a store, they're looking at it closer than I would."

And if certain aspects of the business are still proving difficult, on one thing at least the western partner is clear: the quality of the Chinese technical staff. Of SFCL's 450 employees, 167 are graduates, 23 of them with higher degrees. Mr Barrie Stephens, Siebe's chairman – himself a graduate engineer – says: "They're absolutely spiffing. And the labour rates are cockeyed. They're working for nothing. The average salary we're paying is 1,000 Yuan per month, which is $200."

For Mr Stephens – who, with the rest of his board, was in Shanghai to celebrate the company's 10th anniversary last month – what counts is not merely profits but dividends. "For the first five years, we were pouring money into a black hole. It's only in the last couple of years we've had any cash out at all. But it's an astonishingly liberal policy on dividends. We get all ours out in cash – 49 per cent of the profits: and while the China-US tax treaty allows for 10 per cent withholding tax, we don't pay any."

The lesson he draws is a familiar but cautionary one. "If you're going to go to China, you've got to be a long-term player. It's no good looking for a quick buck. It doesn't exist."

Tony Jackson

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China has captured the attention of decision-makers around the world. The governments's open-door economic policies are attracting a wave of investment which is fuelling an extraordinary burst of economic growth. Though the country remains under the firm political control of the Communist Party, more than half of economic activity is now out of the hands of the state.

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FT SURVEYS

PUDONG DEVELOPMENT ZONE

New tiger will pace the east bank

THERE are the right and the wrong places to be in Shanghai. People regard Puxi, on the west bank of the Huangpu river which bisects the city, as the real Shanghai; the centre of industry, commerce and culture.

Pudong, on the Huangpu's east bank, is the poor relation. In the old days it was Shanghai's slum area, infamous for its criminals and triad gangs. Du Yuesheng, the Al Capone of Shanghai in the 1920s who ran the city's opium dens, gambling rackets and brothels, is Pudong's most famous son.

But Pudong has now been granted a very different identity. The old housing, the acres of flat farming land, are being transformed into a 350 sq km special economic zone.

If the ambitions of Shanghai's planners are realised, Pudong will not only become the centre of the city's commerce and industry: it will be the locomotive which will pull the cities and industries of the nearby Yangtze river into the international arena.

Mr Huang Ju, Shanghai's mayor, says that Pudong will become one of the new tigers of Asia, the focal point of China's new open-door policy. "It will be the outlet to the world for China's industrial heartland."

Pudong new area was officially established in early 1990. Work is now underway on a financial and trade zone, an export processing zone and a free trade zone. There has been substantial progress: Mr Gong Jian Bo of the Pudong development authority says that so far more than 1,000 joint ventures between local and foreign companies with total investments of more than $2bn have been approved for Pudong.

By 1995 the Shanghai Securities Exchange, the city's foreign exchange transaction centre and other financial institutions will have all *moved to new premises in* Pudong. Several joint ventures have already started operations. A conglomerate from Thailand is behind a $2bn real estate development which local officials describe as an Oriental Manhattan.

The development of Pudong is central to Shanghai's aim to regain its pre-1949 position as China's leading trading and financial centre. The majority of Shanghai's population of more than 15m live on the west side of the Huangpu river.

Much of the city's infrastructure, neglected for years, is in a state of near collapse. Many factories are industrial *dinosaurs. The only solution,* say Shanghai's officials, is to move across the river and build anew.

Pudong has some powerful backers. Mr Deng Xiaoping visited the area last spring and gave the project his blessing. Mr Zhu Rongji, the highly influential senior vice-premier and leading economic reformist, was a key figure in planning Pudong when he served as Shanghai's mayor in the late 1980s.

Mr Zhu is largely responsible for encouraging foreign investors to set up shop in Pudong. As Mayor, Mr Zhu revamped the application process for foreign ventures, which in one infamous case had involved a total of 136 bureaucratic steps.

Mr Zhu has also helped push through central government funding to finance large scale infrastructure projects in Pudong. More than $2.7bn is now being spent on building a *gas works, a water plant, port* developments, a new bridge and road and rail networks. About half the funds come from central government, the rest are being raised out of Shanghai's own revenues or from loans, bond issues and foreign development aid.

A much-needed new airport for Shanghai is also planned south of the Pudong zone: when completed officials say it will be the largest in Asia. Other projects in the pipeline include a Chinese Disneyworld, the biggest department store complex in Asia and, the symbol of executive presence, an international standard golf course.

Pudong's development is at an early stage and much of the area is still a dust-blown building site. There are those who worry that Shanghai's planners have been too ambitious. They point to several problems:

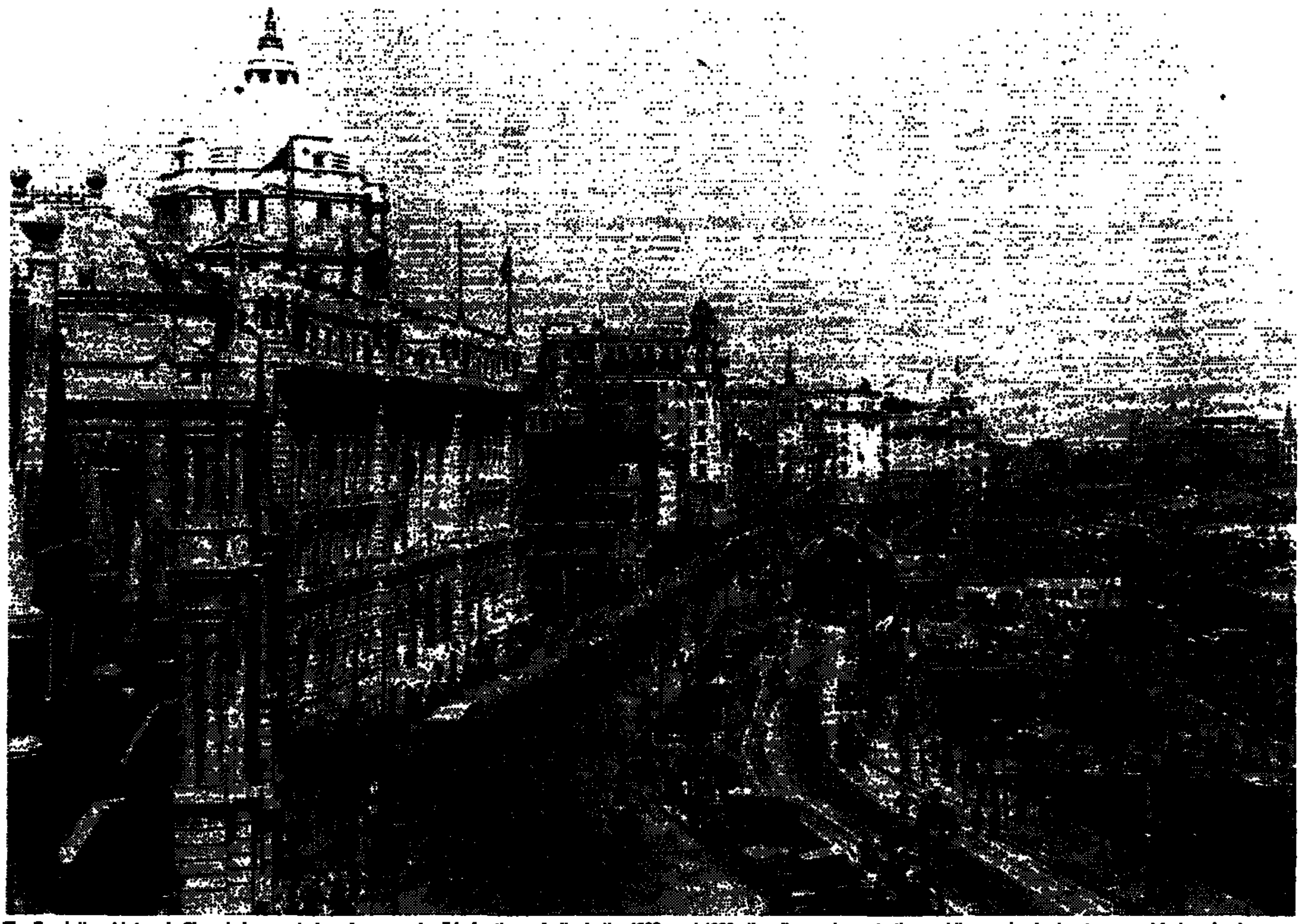
● Pudong's development comes 10 years after the formation of Shenzhen economic zone in Guangdong province in the south. Pudong has a lot of catching up to do if it is to emulate Shenzhen's fly-away growth.

● Recently central government has expressed concern about the spiral of loans being taken out by provinces and municipal authorities. Any *tightening of regulations gov*erning bond issues and other finance raising exercises could seriously effect Pudong's development.

● While foreign investment figures are impressive, many of the joint ventures are believed to involve so-called "fake foreign partners". These are local companies who go to Hong Kong, register as foreign enterprises, and then move in to Pudong, taking advantage of the area's preferential tax regime. Shanghai accounts for nearly 10 per cent of central government revenue each year: any dramatic fall-off in the city's tax contributions could mean retaliatory action by Beijing.

● There are also indications that many of these joint venture enterprises are merely using Pudong as a brass plate staging post: having gained the special tax concessions they then go on to set up their operations across the river.

Kieran Cooke



The Bund: the old days in Shanghai were glorious for some, terrible for the majority. In the 1920s and 1930s the city was home to the world's merchant adventurers and fortune hunters

Kieran Cooke evokes the indomitable spirit of a city with style

Prepare to dance in the morning

Seven o'clock on a sunny, spring morning and couples dance on the Bund, the majestic waterfront of Shanghai. A waltz crackles from an old wireless. People glide serenely, smilingly, back and forth. A crowd looks critically on, like judges at some closely fought dancing contest.

It is hard not to be carried away with Shanghai. I had not visited China since 1976. Mao had just died, the Gang of Four, based in Shanghai, were *threatening to unleash* another bloody cultural revolution. The streets were drab, filled with dour looking citizens.

To talk of change in China is an almost laughable understatement. Shanghai has been revitalised. It has thrown off its Maoist cloak and put on its make-up and smart clothes. It's stepping out into the world again.

The busiest people in the city these days are the shop signboard writers. The old stores are opening up, crammed full of goods. There, on the corner, is the "Cha Cha Bakery". Somewhere, if only I could find it, is "The Golden Duck Marriage Advisory *Bureau*".

Shanghai has always had a reputation for style. The Chinese say that for the Cantonese further south, life revolves round food. In Beijing, it's politics. In Shanghai, it's clothes.

In the evenings Shanghai's fashion-conscious strut and stroll up and down Nanking Road – always renowned as the best shopping street in China. A few years ago any show of beauty was hidden for fear of being accused of displaying bourgeois individualistic tendencies. Now the hair shirt of communism has been stripped well and truly off.

Life is still a serious struggle for many. In 1934 there were 3.3m people in Shanghai. Now there are more than 15m. Accommodation is a chronic problem. Getting about is another. Much of the city's infrastructure has not been touched since the 1930s. Traffic policemen wave a white glove and blow an occasional whistle. But they fight a futile battle.

At the last count there were 7m bicycles in Shanghai. Add the cars swarming on to the streets, the jammed packed trolley buses, the motorbikes and hand carts, and there is a sure recipe for chaos.

Yet somehow, Shanghai gets by. The people of the city have always been known as a cun*ning lot. When the wind blew* out of Shanghai's commercial sails in the 1930s the city's Chinese tycoons moved south and built up Hong Kong. They spread themselves to Taiwan, Japan, the US and Europe. Now those entrepreneurs and their descendants, many of them men of considerable wealth, are returning.

The old days in Shanghai were glorious for some, terrible for the majority. In the 1920s and 1930s the city was home to the world's merchant adventurers, fortune hunters, gigolos and whores.

British spies went to tea dances with glamorous White Russians. Jewish merchants *from Baghdad fought triad* gang leaders for control of the drugs trade. American fellow travellers consorted with the emerging communist party of China. Many German Jews found a rare haven there from Nazi persecution.

A few yards away from the Bund, bodies were piled on the streets. "If God lets Shanghai endure," said the missionaries, "He owes an apology to Sodom and Gomorrah."

The foreigners did leave behind some remarkably handsome buildings and gracious plane tree-lined avenues. Parisian style mansions are still visible in the old French quarter.

The *noble façade* of what was once the British Club is now adorned with a fast food sign. The club's famous long bar, where Reginald, Felicity and Roger drank pink gins and became a trifle squiffy, is now serving breaded chicken legs.

Further down the Bund the grandiose Hong Kong and Shanghai Bank building has been changed into the local Communist Party headquarters, guarded by two young and cold-looking soldiers in the oversize uniforms favoured by the Chinese military.

The ballroom of the old Astor Hotel, where US diplomats and Shanghai actresses did the shimmy, is now the home of the stock exchange. The index, most inappropriately in this share-mad city, is named Jingan, or tranquility.

Plenty of other monuments of the past remain, though their function has changed. The Great World, which in the 1930s offered six floors of multitudinous and highly imaginative vice, is now the Shanghai Youth Centre. The golf course has become the zoo. The old country club has been turned into a school.

The Chinese Communist Party came into being in Shanghai in 1921. The meeting hall in the old French quarter used to be crowded with visitors. Today there is a belligerent silence about the place. At a nearby market, pedlars sell off Maoist memorabilia.

Attitudes have changed in Shanghai. The look of the city is also changing. The bulldozers are at work on the old Chinese tenements, raising dust in the name of development. The "Have a nice day" crowd are moving in with their uniformly sleek hotels.

See Shanghai quickly. Stay at the old Peace hotel on the Bund, all Art Deco, squeaking floors and fusty rooms. Dine at the candlelight restaurant on the eighth floor. Listen to the jazz band (average age 72) in the bar. Lie in bed and hear the ferry boats hoot on the Huangpu river outside.

And get ready for dancing in the morning.

TOURISM

Grand plans for a revival

Shanghai may have seen better days, but for many tourists this matters little. They have come for a faint whiff of the city's chequered history before it is swept away by a plastic wave of karaoke bars, characterless hotels, discothèques, nightclubs, entertainment centres, revolving restaurants and American-style fast food outlets.

The Shanghai authorities have grand plans to revive the city as a magnet for tourists. These plans perhaps owe less to preserving what was good about the past than to mimicking what has worked elsewhere on the Pacific rim. Prepare for a Shanghai Disneyland!

In the end what will matter most is money. Shanghai tourism officials make no secret of the role which tourism can play in the city's modernisation. *"Tourism is one of the* pillars of Shanghai's tertiary industry and economy," says Mr Dao Shu Ming, director of the Municipal Tourism Administration.

"Our economic plan puts the tertiary sector first, and tertiary industry includes tourism, finance and trade, and also real estate."

Tourism is already one of the engines of Shanghai's recovery, an employer of 100,000 people and an indirect contributor to the livelihood of thousands more.

Figures speak for themselves. In 1992, the city received 1,253,000 visitors from abroad, an increase of 27.6 per cent over the previous year.

Direct revenue from tourism showed an even more spectacular leap, reaching $580m, up by 107 per cent on 1991, reflecting the impact of a number of newly opened luxury hotels.

Mr Dao expects that tourism to grow by about 14 per cent a year, with direct revenues reaching about $1bn at the end of the current five-year plan in 1995. This will form about 20 per cent of China's projected total receipts from foreign tourism in mid-decade.

He also forecast that by the year 2000 China would be earning about $10bn a year from tourism (excludings domestic tourism which is also boom*ing). Shanghai's contribution* would be about half of the national total.

While this is quite ambitious, there is no doubt that Shanghai will gain mass tourism appeal by the end of the decade.

Among projects are:

● a $2bn scheme to develop a giant entertainment centre on *the east bank of the Huangpu* river to be known as "Fudu World".

Overseas Chinese from Thailand are involved in this joint venture which will comprise the biggest nightclub in Asia and other attractions, including a Chinese theme park.

● the $2bn transformation of 12 square kilometre Hengsha island at the mouth of the Yangtze into a tourism resort with three or four golf courses, hotels and nightclubs.

● construction of at least two more golf courses in the Shanghai area as an attraction for Japanese and other Asian tourists who comprise the bulk of the city's visitors.

● construction (already under way) of a 400 metre television tower, the tallest in Asia, which will give sweeping views of Shanghai itself and the Yangtze river delta.

● re-development of the city centre to revitalise Shanghai's commercial hub as a further lure for tourists. Several smart *joint venture department* stores, funded by wealthy Shanghai émigrés, have recently opened their doors on Nanking Road.

Mr Dao is confident that Shanghai will have the hotels to handle the expected wave of tourists.

The city's 93 hotels, including seven five-star establish*ments, offer 24,600 rooms; more* hotels are on the way.

Occupancy in 1992 reached 72 per cent. This year, occupancy rates have been averaging nearly 80 per cent.

If there is a serious drag on the development of tourism it lies in Shanghai's decaying infrastructure and somewhat limited airport facilities.

Flights into Shanghai are heavily overbooked and the airport itself is poorly equipped; although efforts are being made speedily to upgrade facilities and provide additional flights.

Shanghai is the base for two airlines – Eastern and Shanghai Airlines – as part of China's plan to decentralise its airline industry and introduce a modicum of state-sponsored competition. Eastern now has 69 aircraft, including the Airbus, and is extending its network to include Singapore, Bangkok and Seoul.

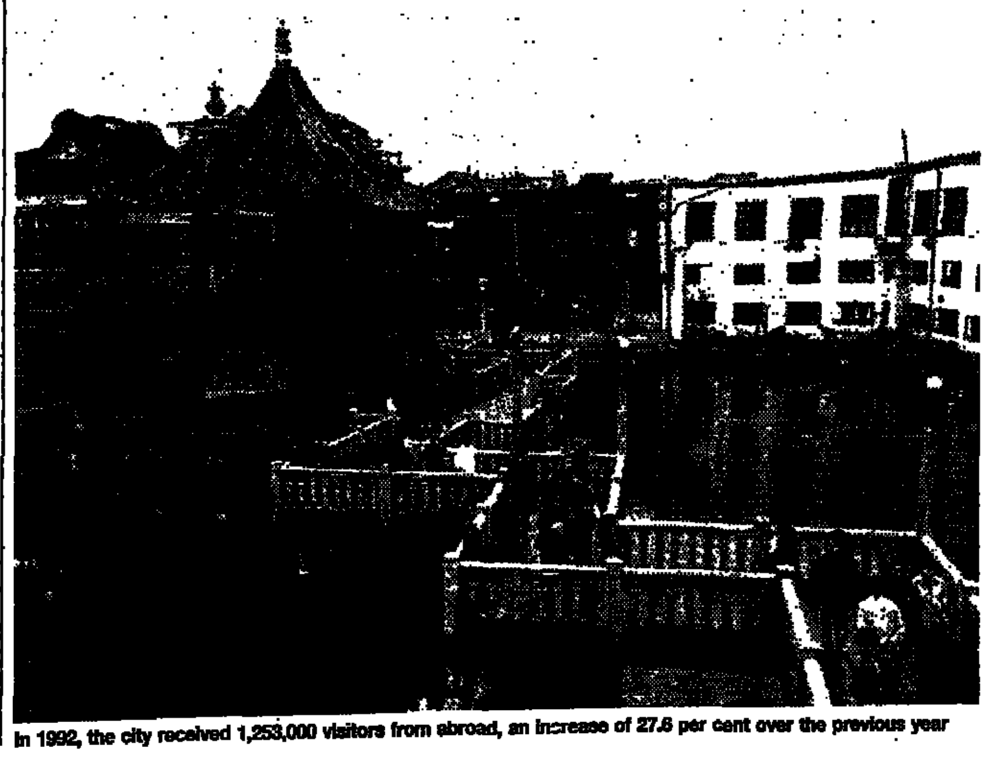
Among other projects aimed at enhancing Shanghai's tourism are two "superhighways": one south to scenic Hanghzhou, the capital of Zhejiang province, and the other west to Nanjing, capital of Jiangsu.

These motorways will reduce pressures on Shanghai itself by allowing the quick movement of tourists back and forth to other important regional centres.

Mr Dao is confident that well before the end of this decade infrastructure problems, such as inadequate roads and rail systems, will be solved.

"As far as infrastructure is concerned, we describe this period as the darkness before the dawn," he said.

Tony Walker



In 1992, the city received 1,253,000 visitors from abroad, an increase of 27.6 per cent over the previous year

BAOSHAN STEELWORKS

Leading supplier for quality products

Back in the 1970s, big billboards in Shanghai showed workers sweating at furnaces and hammering at molten metal, producing steel to make China into an industrial power. Baoshan steelworks, on the banks of the mighty Yangtze river 25km north-west of Shanghai, was to be at the vanguard of China's drive to industrialise.

Today Baoshan's managers have more modest aims. Last year China produced 80m tonnes of steel products, double the quantity of 10 years ago. Mr Wu Zhi Shang, Baoshan's acting director, says several other plants in China now produce *more than Baoshan's annual 6.73m tonnes* of steel.

"Our main asset is the quality of our products," says Mr Wu. "We produce a wider variety of steel and of a better quality than any other plant in the country."

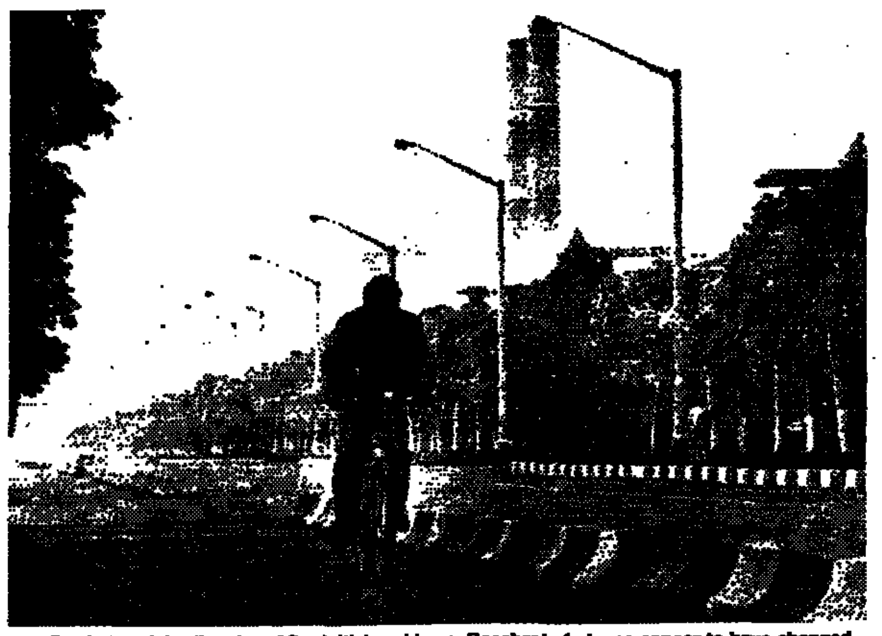
The present rapid expansion of China's economy means that demand for steel products is at an all time high, with prices *for some high grade items having* risen by as much as 50 per cent over the last year.

Mr Wu describes Baoshan as a highly successful enterprise, selling all it can produce. He denies that Baoshan has been responsible for the recent rapid price rises: these, he says, are due to differences between supply and demand.

The outlook at Baoshan was not always so good. Baoshan was among a number of grandiose projects announced in the mid-1970s designed to transform China into a "modern, powerful, socialist country" by the turn of the century.

Baoshan was heralded as the largest single construction project to be undertaken since the founding of the People's Republic in 1949.

Many operations are computerised but the plant has more than 23,000 workers *Pictures: Cathryn Tremain*



Heading in the right direction: After initial problems, Baoshan's fortunes appear to have changed

But from the beginning, Baoshan was plagued with problems. The site of the works was marshy, causing subsidence problems: 100,000 concrete piles had to be driven into the soil to shore up the plant.

The nearby estuary was found to be too shallow to accommodate the large carriers of imported iron ore. A long wharf had to be built out into the waters of the Yangtze river.

By 1983 Baoshan was running into serious financial difficulties. Deliveries of equipment, mainly from Japan, had to be rescheduled as central government reassessed development priorities. The first phase of work at Baoshan was finally put into operation in 1985, three years behind schedule.

But after the initial problems Baoshan's fortunes appear to have changed, largely due to the big upturn in demand for its products.

In 1991 the second phase of Baoshan's construction was completed. So far more than $5.5bn has been spent on Baoshan: its directors say sales last year were worth more than $2bn, a 40 per cent increase on the 1991 figure.

"We are now paying the state back the capital loans it made for Baoshan's construction," says Mr Wu. Profits at Baoshan are growing and last year amounted to between 10 and 15 per cent of sales, he adds.

Baoshan is the leading supplier in China for quality steel products. It supplies most of the steel used in construction of vehicles at the nearby Volkswagen car plant in Shanghai.

A few years ago most steel plate for *China's ambitious* shipbuilding programme had to be imported. Now Baoshan supplies the needs of many of the country's shipyards.

In spite of Baoshan's recent success, industry analysts say considerable work still needs to be done to improve efficiency. Although many operations at Baoshan are now computerised, the plant still has more than 23,000 workers.

But as long as China's economy keeps in the fast lane, Baoshan's future seems assured. A third phase of building at Baoshan is due to be completed by the turn of the century, bringing annual output to more than 10m tonnes.

As China moves towards a market economy even industrial giants such as Baoshan will be left to fend for themselves.

"The next phase of building is going to cost more than Rmb20bn ($3.6bn)," says Mr Wu. "The government has told us it will not invest any more money. This time we have to raise all the finance ourselves."

Kieran Cooke

TEXTILES

Silk road becomes M-way

On average the company's 560 workers receive well under $1,000 a year

A cold, wet Sunday afternoon and a number of well heeled Italians are being shown round the Shanghai No 7 silk printing and dyeing factory.

An interesting group: in the showroom the men buy quantities of ladies' lingerie. The women buy silk ties.

China now produces about 70 per cent of the world's silk. Factory No 7 is typical of what is happening in Shanghai's textile and other industries. Ten years ago China was exporting vast quantities of silk yarn and fabrics. Now the emphasis is on finished, value added goods.

Since 1988 and the declaration of an "open door" trade policy by China's leadership, a minor revolution has taken place in No 7's activities.

Italian experts have been brought in to teach advanced printing and dyeing techniques. *Substantial* investments have been made in state of the art machinery. As a result of the new, more liberal trading regime sanctioned by the government, No 7 can now deal directly with customers and not, as it had to do before, through cumbersome state import/export agencies.

The No 7 factory is now known as one of the most advanced of its kind in China. Mr Lin Yin-zhong, its director, says exports climbed to $12m last year from $1m in 1988. "Though we are a state company we describe ourselves as self run," says Mr Lin. "We make our own decisions about co-operation with foreigners and about investments in machinery. It's these two factors which have led to our success."

Low labour costs are another reason for No 7's success. On average the company's 560 workers receive well under $1,000 per year, though housing and other benefits are provided.

No 7's operations are helped by the absence of international quotas on silk goods. The lack of quota restrictions, say some western critics, means that China is now flooding the market with silk products. In so doing the luxury image of silk is in danger of being lost.

No 7 has diversified into a wide range of products. More than 80 per cent of exports are now garments like shirts and dresses. "This is the big profit sector at the moment," says Mr Lin. "More and more people in the west are buying silk in preference to other fabrics. It's now far more widely available."

While No 7 has achieved model status in Shanghai's *textile industry, elsewhere the* picture is not so bright. Until the mid 1980s, Shanghai was the leading textile centre in China. It has now lost that position to other areas, particularly to the more dynamic Guandong province in the south.

Nearly 500 hundred textile factories still employ more than half a million people in Shanghai: but the industry has suffered from a serious lack of capital investment and an excess of bureaucracy.

Mr Jiang Guang-yu, the director of the Shanghai textile industry bureau, says that Shanghai exported $2.4bn of textiles last year – out of a total China export figure of $18bn. Mr Jiang insists that Shanghai's industry is still the most efficient in China but accepts that other parts of the country have been quicker to adapt to new, more liberal policies.

Not all of this is Shanghai's fault. The central authorities in Beijing allowed Guandong to liberalise its trade and investment policies ahead of Shanghai.

As a result many Shanghai industrialists moved south to set up factories in Guandong. All important technical staff also moved south, drawn by higher wage levels.

Enterprises in Guangdong were given larger shares of the *all important export quotas:* increasing amounts of tax were transferred from Shanghai to Beijing, causing a shortage of local investment funds.

Those policies are now changing, particularly since Deng Xiaoping's visit to Shanghai early last year, during which China's veteran leader gave his personal blessing to the growth and liberalisation of the municipality's economy.

Nowadays, the emphasis is on finished, value-added goods for export

Mr Jiang says his bureau is *in the process of investing* more than $900m to renovate outdated textile plants. In addition more than 100 joint ventures with foreign companies have been set up in the textile industry with total investments of nearly $400m.

The joint ventures are crucial: foreign companies bring much-needed investment funds their technology and, perhaps most importantly, open new sales channels for Shanghai's goods. Mr Jiang expects *Shanghai's textile exports to* grow by 8-10 per cent this year.

But he says the industry still has too much bureaucracy. "There are still too many forms to fill, too many state bodies involved. But it's improving – and we are determined to make Shanghai once again the number one centre for quality textiles in China."

Kieran Cooke

THE PORT

Expand and modernise

MR TU DEMING, director of the Shanghai Port Authority, is busy trying to speed long overdue redevelopment of the *city's sprawling and, in many* cases, antiquated facilities to cope with the trading boom.

"Current capacity has lagged behind economic development," he says with massive understatement. "We should further quicken the port's modernisation, but it requires a lot of investment and takes time."

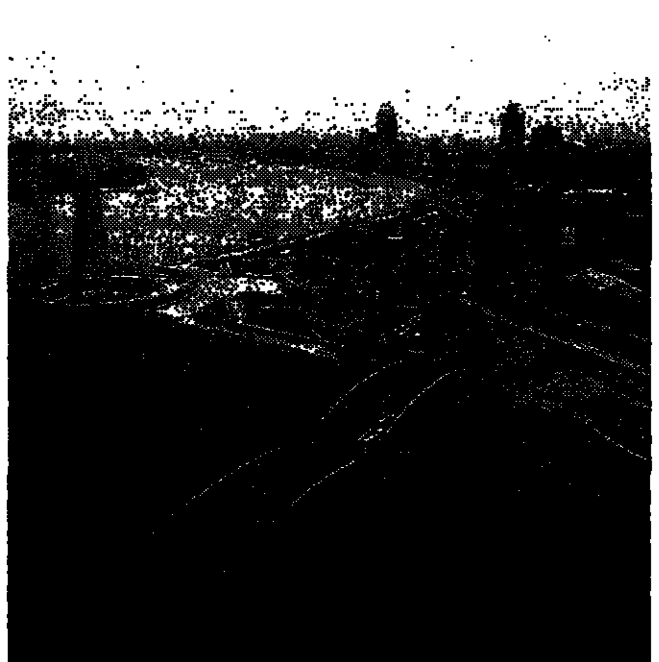
Lack of funds is proving the biggest drag on efforts to hasten the refurbishment of Shanghai's ports so the city can realise its potential as the main entrepôt for the Yangtze river region that stretches deep into China's hinterland and accounts for about half the *country's industrial output.*

Speaking in a gloomy reception room in the Port Authority's headquarters overlooking the Huangpu River on which Shanghai is located, Mr Tu says he is actively seeking foreign investment and would consider almost any proposal to enhance the city's port capacity.

"We're trying every means to carry out all kinds of co-operation," he says. "Government investment and assistance from local enterprises and institutions such as the World Bank (the bank recently allocated $150m) and Asian Development Bank is far from enough."

The port director would like to see more ventures like the proposed RMB6bn 50-year co-operation deal involving Hong Kong businessman Mr Li Ka-shing and his Hutchison Whampoa group in upgrading and managing 50 per cent of Shanghai's container terminals and building new ones.

Central government approval for the project is expected soon. In the past 10 years some RMB10bn has been invested by the Port Authority with RMB620m spent in 1992; but given the rapid pace of Shanghai's economic development allied with its ambitions to be one of the world's premier port cities this is clearly inadequate.



Huangpu River, Shanghai: redevelopment is overdue *Picture: Sarah Murray*

Lack of funds has not, however, prevented Mr Tu and his associates from formulating an ambitious multi-billion dollar programme that includes:

- constructing a new deep water container port on the Yangtze to service the ambitious Pudong development zone with a capacity of 2.4m tonnes annually.
- upgrading the Luojing coal port on the Yangtze north of Shanghai to a capacity of 10m tonnes annually in the first phase.
- renovating old port areas on the Huangpu River, including the conversion of five bulk cargo berths to container facilities.
- upgrading grain handling facilities and coal berths on the Huangpu.
- re-developing port areas for offices, retail outlets and tourism.
- modernising passenger berths at Huishan on the Huangpu to cope with an expected surge in traffic.
- constructing a new container port at the mouth of the Jinshan river south of Shanghai with an *annual capacity of* 20m tonnes.

Mr Li Ka-shing's Hong Kong International Terminals (60 per cent owned by Hutchison Whampoa) has been looking into the Jinshan proposal, but it would clearly be some time before such a large-scale venture matured. In the meantime, Mr Tu hopes to increase Shanghai's port handling capacity to 200mtonnes of cargo annually by the year 2000.

Last year, the city's ports cleared 163m tonnes, including 730,000 standard 20-foot containers (TEU). This compares with just 66,000 containers in 1982.

The Port Authority's plans to *re-develop five square kilo*metres of the old port areas along the Huangpu envisage, says Mr Tu, the building of "comprehensive trade and business centres".

This would require re-locating port facilities to the mouth of the Huangpu and also to the southern part of Shanghai. Preliminary conversations with potential foreign investors in re-developing this extremely valuable real estate have already got under way.

Consolidating some of the port facilities in larger zones would probably be no bad thing. Mr Tu is responsible for 131 berths, 520,000 square metres of warehousing and 1.5m square metres of open storage yards.

Shanghai's ports, according to its director, have an average turnaround time (loading/unloading) of 36 hours compared with less than 24 hours in Hong Kong. Delays have been much reduced since the early 1980s, but foreign shipping agents still grumble about inefficiencies, including the time it takes to secure outgoing cargo space.

By any standards Shanghai is a busy port. Some 8,000 ships involved in international trade utilised its facilities last year, moving 32m tonnes of cargo which represents about 20 per cent of the total. Coastal and river-born cargo accounted for the rest.

Tony Walker